DCU

BANKING – THE DCU WAY

April 2, 2018

Ms. Mary Thor
Office of Examination and Insurance
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314
Filed via: CallReportMod@ncua.gov

Re: Notice; Request for Information: Modernizing Data Collection for Supervision of Credit Unions

Dear Ms. Thor:

Digital Federal Credit Union (DCU) appreciates the opportunity to provide comments on the National Credit Union Administration's (NCUA) Request for Information (RFI) regarding its initiative to improve the usefulness of the 5300 Call Report and 4501A Profile forms and instructions. The NCUA is also seeking to reduce reporting burdens on federally insured credit unions as it considers increased implementation of off-site examinations and supervision. DCU generally supports these efforts and provides recommendations and comments below to encourage improvements in the supervisory process while relieving certain reporting requirements for federally insured credit unions.

The RFI addresses eight questions for federally insured credit unions to consider when reviewing the comment documents. This letter addresses most of the questions described in the RFI with DCU's comments for the NCUA's consideration.

Are there account codes that are proposed to be retired that are still pertinent?

DCU believes that one of the most important changes the NCUA proposed within 'Schedule A – Specialized Lending' was the account code, or line, APP0006, 'Outstanding balance of loans sold with servicing retained.' We appreciate the NCUA making such a change to the Call Report to understand the related risks to federally insured credit unions.

The Call Report line, 779A, 'Amount of real estate loans sold but serviced by the credit union' is proposed to be retired and replaced with 'Amount of Loans Sold with Servicing Retained' and two other new lines with related aggregated total sold loans information. The NCUA should consider expanding this information to report sold loans made within the industry, to a federally insured credit union, or outside of the industry. This will provide the agency a better understanding of the related risks to the safety and soundness of the overall industry.

Additionally, relating to loans sold, DCU believes such information should be expanded similar to the additions to the participation loan lines being proposed. The NCUA should add additional lines for loans sold with servicing retained with the same loan types used for the proposed new lines for participation loans,

- Vehicle - Non-commercial,
- Non- Federally Guaranteed Student Loans,
- 1-4 Family Residential Property,
- Commercial Loans excluding Construction & Development,
- Commercial Construction & Development, and
- All Other.

While federally insured credit unions sell loans to mitigate interest rate, liquidity and other related risks, it is important the industry obtains information on how federally insured credit unions benefit the economy and consumers collectively.

In a similar manner, line A988, 'Loans Granted Year-To-Date' is proposed for retirement. The NCUA should consider maintaining and expanding this information to distinguish the same loan types, as mentioned above, within the Call Report, to provide the NCUA with the ability to determine any outliers or specific activities to further investigate, when necessary. Also, by adding this breakdown, this information will better assist federally insured credit unions, and the industry, in comparing institutions and identifying industry trends.

Are there additional account codes that should be retired or consolidated?

DCU commends the NCUA for proposing to retire 1,017 account codes from the Call Report. The RFI stated that "Most of the account codes proposed to be retired are no longer needed, but some would be collected through another means" although does not provide other reasons for the NCUA to retire such codes. DCU believes the NCUA should reevaluate eliminating any Call Report lines that only a small percentage of federally insured credit unions complete, unless there is overwhelming analytical benefit to the NCUA. As noted in the RFI, such specific information removed from the Call Report may be collected by the examiners during the exam process.

Should any of the schedules be expanded to assist in analysis based on new rules or accounting changes?

The proposed RFI suggests the risk-based capital rule will be implemented as approved in 2019, although there has been indications the NCUA Board of Directors may revisit this rule. If there is a possibility this rule will be modified, or eliminated, we believe the Call Report should not be implemented with risk-based capital account code changes proposed.

Additionally, the regulatory reform bill in Congress, S.2155 - Economic Growth, Regulatory Relief, and Consumer Protection Act, would no longer categorize loans on 1-4 family properties as member business loans. The NCUA should ensure the final Call Report reflects this change, should it be approved by Congress and signed into law. The NCUA should also further clarify the distinctions between commercial loans for reporting purposes and member business loans subject to the statutory cap which remain confusing to some.

How much lead time do credit unions need to work with vendors to make changes to their systems in order to support such changes to the Call Report?

DCU believes having ample time for the NCUA, third party vendors, and federally insured credit unions, to prepare and execute the changes is essential to achieve success in improving the reporting process. Some of the proposed changes will require core system changes to reporting as well as an adjustment to federally insured credit union's internal reporting to properly adhere to the requirements of the proposed revised Call Report. A specific example of account code changes that would involve federally insured credit union's core system vendors, and changes to its internal reports, would be the Delinquent Loans by Collateral Type schedule. This schedule is proposed to be modified to separate the 60-179 days reporting category into two new categories, 60-89 days and 90-179 days. The NCUA should give federally insured credit unions at least nine-months to implement the proposed changes.

Are there any other operational issues the NCUA should be aware of prior to implementing the proposed changes?

The NCUA has provided updated instructions and a catalogue of account code changes. While helpful, it would be more useful if the NCUA provided links to the specific respective instructions within the Credit Union Online system within the individual account code lines within the Call Report, or relevant schedule. This will avoid preparers of the Call Report to have to go back and forth among the documents.

The NCUA's training for examiners should be in-depth and occur prior to full implementation of the Call Report and Profile forms and instructions changes. Federally insured credit unions often contact NCUA examiners for his/her expertise and guidance on the interpretation of the Call Report and Profile instructions, therefore we suggest the agency offer such in-depth training for examiners.

Additionally, we recommend the NCUA plan at least one webinar to present the final approved changes to federally insured credit unions. The NCUA should also make information that is provided to examiners on reporting changes available to federally insured credit unions on the NCUA's Call Report Modernization webpage.

From your perspective, do you think this is a reduction in your reporting burden?

DCU anticipates the following proposed changes to the Call Report will particularly result in a reduction in reporting burden for federally insured credit unions.

1. **Delinquent Loans by Collateral Type:** The replacement of the 'Delinquent Loans by Collateral Type' schedule with the new Schedule FC-F, which combines components of the existing schedule and the 'Additional Delinquency Information' schedule, will streamline the data collecting process for the Call Report. Removing the requirement for a count of loans in each category and only requiring the 'Total Number of Reportable Delinquent Loans' will also help streamline the data.

2. **Loan Charge Offs and Recoveries:** The replacement of the 'Loan Charge Offs and Recoveries' schedule with the new Schedule FC-G will improve the data collection process for the Call Report. The new Schedule FC-G combines areas of the 'Additional Loan Loss Information' section of the existing page to create a clearer picture of federally insured credit unions loan losses by category.

3. **Schedule A, Specialized Lending, Section 3:** The replacement of 'Schedule A' with the new Schedule FC-L simplifies the reporting process for sold, purchased, and participated loans and provides more detail for the types of loans that are reported on this schedule. Having this information available will help federally insured credit unions research and compare data.

In closing, thank you for this opportunity to comment on the National Credit Union Administration's Request for Information on Modernizing Data Collection for Supervision of Credit Unions. We hope the modernization efforts by the NCUA will reduce the burden on the agency and federally insured credit unions as well as place the agency in a stronger position to enhance the valuation of the industry. Furthermore, as the NCUA enhances their analytical abilities, we hope the modernization efforts will reduce the onsite examination time at federally insured credit unions. We look forward to additional communication related to future changes on the Call Report and Profile forms and instructions.

Sincerely,

Laurie M. LaChapelle

Laurie M. LaChapelle
Senior Vice President of Finance