FREQUENTLY ASKED QUESTIONS

Call Report Delinquent Loan Categories

Transitioning from Months to Days

Overview

Letter No. 12-CU-12, issued in October 2012, gave notice to credit unions the NCUA was revising the delinquent loan schedules on pages 7 and 8 of the Call Report Form 5300. The revision involves changing delinquency categories from months to days. This change will standardize delinquency reporting across credit unions; it will also bring NCUA in line with calendar conventions (days vs. months) used in the financial services industry, credit bureaus, and by other regulators. Credit union calculation of actual delinquencies will not change; delinquency and past due status will remain based on the terms of the loan contract.

How Have The Call Report Delinquency Categories Changed?

As of June 30, 2013, the delinquent loan schedules on the Call Report included both "days" and "months" in the column headings. The chart below summarizes the modifications to the Call Report.

Old Reporting Categories	New Reporting Categories
1 to < 2 months	30 to 59 days
2 to < 6 months	60 to 179 days
6 to < 12 months	180 to 359 days
12 months and over	≥ 360 days

The use of dual headings is intended to facilitate the transition where months delinquent is defined based on the number of days past due. Until the transition is complete, some account descriptions and edits in the software will still reference months and some will reference days.

Why Did NCUA Clarify The Delinquency Categories?

NCUA modified the Call Report form to align with industry standards and standardize delinquency reporting. Bank call reports and credit bureau reporting are both based on days past due, rather than months. Moreover, in the past some credit unions interpreted months as the actual days in the month, while others assumed (for reporting purposes) each month had 30 days. The result was inconsistent delinquency reporting across credit unions.

FFIEC (bank) call reports and credit bureau reporting are both based on days. Specifically:

1. **Federal Financial Institutions Examination Council** (FFIEC) Forms 031 and 041, *Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices* and *Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only*, respectively, break out delinquency into three categories on Schedule RC-N—Past Due and Nonaccrual Loans, Leases, and Other Assets:

   - Past due 30 through 89 days and still accruing
   - Past due 90 days or more and still accruing
   - Nonaccrual

   The instructions for both forms indicate, "The past due status of a loan or other asset should be determined in accordance with its contractual repayment terms."

2. **Credit bureau** reporting categorizes delinquency by days. The Consumer Data Industry Association (CDIA) is an international trade association whose members include Experian, Equifax, and TransUnion. The CDIA uses the following classifications for its standard reporting format called Metro 2:

   - Current account (0-29 days past the due date)
   - Account 30-59 days past the due date
   - Account 60-89 days past the due date
   - Account 90-119 days past the due date
   - Account 120-149 days past the due date
   - Account 150-179 days past the due date
   - Account 180 days or more past the due date

Must Credit Unions Change How They Calculate Delinquency?

No. Credit unions should continue to calculate delinquency in accordance with the terms on the loan contract.

Do Grace Periods Affect How Delinquency Should Be Reported?

No, a grace period does not affect how a credit union should report delinquency. That is, the grace period should not be deducted from the number of days past due. If a payment is made during the grace period, it is considered on time. Otherwise, the loan is past due the number of days since the last payment due date.

What Goes Into The Delinquency Ratio?

Only loans 60 or more days past due will be included in the delinquency ratio on the Financial Performance Report (FPR) and the Key Ratios in NCUA's exam program - AIRES. These loans are sometimes referred to as "reportable delinquencies."

Will There Be Seasonal Variation In Delinquency Ratios?

The delinquency ratio may be slightly lower in the first quarter. This first quarter reduction is primarily a function of the extent to which a credit union has (i) a significant volume of loans due on the 1st of the month and (ii) a significant volume of loans on the cusp of 60 or more days past due. Any seasonal fluctuation in delinquency should be nominal because (1) credit unions often have payment due dates spread throughout the month and (2) only a fraction of loans are also on the cusp of 60 or more days past due at the end of the quarter.

Do Examiners Understand The Potential Seasonal Variation In Delinquencies?

Yes, examiners are aware of the potential for some variation in the first quarter, and are encouraged to look beyond seasonal patterns when assessing the level and trend in delinquencies. Regardless of whether a loan is sufficiently past due to be included in the delinquency ratio, and long before it reaches a past due status of 60 days or more, examiners will ensure credit unions have sound collection processes that identify and follow up on loans where payments have been missed.

Please Provide Examples of The Potential Seasonal Variation In Delinquency.

As noted, only loans 60 or more days past due will be included in the delinquency ratio on the Financial Performance Report (FPR) and the Key Ratios in NCUA's exam program - AIRES. These loans are sometimes referred to as "reportable delinquencies."

Example: A credit union with a loan having a monthly payment due on the first of the month.

Fourth Quarter Example

Payment Due Date:	**October 1st**	**November 1st**	**December 1st**	**Dec. 31st Delinquency Reporting**	**Payments Missed**
Made Payment?	Yes	No	No		2
Calendar Days Past Due	0	0	29	60	
5300 Reporting (Months)				2 to <6 Months Past Due	
5300 Reporting (Days)				60 - 179 Days Past Due	

Note the loan would be a "reportable delinquency" on the Call Report.

First Quarter Example

Payment Due Date:	**January 1st**	**February 1st**	**March 1st**	**March 31st Delinquency Reporting**	**Payments Missed**
Made Payment?	Yes	No	No		2
Calendar Days Past Due	0	0	27	58	
5300 Reporting (Months)				1 to <2 Months Past Due	
5300 Reporting (Days)				30 - 59 Days Past Due	

Under the assumption each missed payment represents a month, the loan would be reported in the 2 to <6 month delinquency category on the Call Report. However, when actual days are used, the loan is 59 days past due. Therefore, the loan is included in the 1 to <2 month delinquency category on the Call Report (and is not a reportable delinquency). This seasonal variation occurs only in the first quarter as the month of February only has 28 days (29 in a leap year).

Second Quarter Example

Payment Due Date:	April 1st	May 1st	June 1st	June 30th Delinquency Reporting	Payments Missed
Made Payment?	Yes	No	No		2
Calendar Days Delinquent	0	0	30	60	
5300 Reporting (Months)				2 to <6 Months Past Due	
5300 Reporting				60 - 179 Days Past Due	

Third Quarter Example

Payment Due Date:	July 1st	August 1st	September 1st	Sept. 30th Delinquency Reporting	Payments Missed
Made Payment?	Yes	No	No		2
Calendar Days Delinquent	0	0	30	60	
5300 Reporting				2 to <6 Months Past Due	
5300 Reporting				60 - 179 Days Past Due	

Note the loan would be in the "reportable delinquency" category on the Call Report.

If you have questions, please contact the Office of Examination and Insurance at 703-518-6360 or email at EIMail@NCUA.GOV.