

Cooperative Credit Union Association

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April 2, 2018

Mary Thor
Office of Examination and Insurance
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Cooperative Credit Union Association, Inc. Comments on Call Report/Profile Content Modernization

BY EMAIL ONLY

Dear Ms. Thor:

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 comments on Call Report/Profile Content Modernization. The Association is the state trade association representing credit unions located in the states of Delaware, Massachusetts, New Hampshire and Rhode Island, serving approximately 195 credit unions which further serve approximately 3.8 million consumer members.

The Association appreciates the efforts of the NCUA and the Call Report Modernization Working Group to review and update the Call Report and Profile Form. Such efforts assist in reducing member credit unions’ reporting burdens, as well as provide regulators better tools for on-site examinations and off-site monitoring.

In preparation for the development of the present comment letter and in order to assist in providing thoughtful comments, the Association conducted a comment call which included targeted outreach to individuals who regularly complete Call Reports. These comments represent general, broad changes that should be made to the Call Report, as well as specifically delineated areas of concern currently within the Call Report or Profile.

In addition, the Association notes that it submitted comments in response to the agency’s initial Request for Information, and incorporates those comments herein.¹

¹ Cooperative Credit Union Association, Inc., Comments on Call Report/Profile Content Modernization, August 15, 2016, available at <https://www.ncua.gov/Legal/CommentLetters/bc-data-2016-coop.pdf>.

Cooperative Credit Union Association, Inc.

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I. General Comments

The Association supports the agency's goal of reorganizing the schedules in the Call Report and Profile, retire obsolete account codes, and relocate account codes in a more logical fashion. Credit unions currently provide a significant amount of data on the quarterly. This data should be utilized more effectively to reduce the burden and cost associated with onsite examinations. The Association has made recommendations regarding an offsite review process as well as a credit union-specific pre-examination risk assessment that would save time and effort on both the credit union and examiner side, and repeats those requests here. At a minimum, the scheduling of safety and soundness examinations to directly overlap with Call Report deadlines should be avoided at all costs.

The Association offers the following general observations. A common criticism noted by members relates to the overall redundancy and duplication of work required not only throughout the call report itself, but between the Call Report and the Credit Union Profile, and from quarter to quarter. It remains a burden for credit unions to prepare the quarterly filing given the lack of change in information from quarter to quarter. In addition, there are a number of redundancies between the Call Report and the Profile. It is suggested that in addition to the reorganization of account codes, that the NCUA review all fields contained in the Call Report and Profile and transfer those that are relevant to improve the offsite monitoring program.

The length of the Call Report could be shortened by eliminating certain currently required pieces of information that do not have supervisory or comparative value. In addition, extraneous information as it relates to Call Report information, for example, the reports on the number of potential members and the number of members who use the credit union's transactional website, could be eliminated.

The Association suggests that the proposed changes will require at least a one-year period for credit unions to adopt and work with third-party vendors to make the necessary system changes. The Association suggests that the agency consider implementing a policy that holds that non-material reporting errors will not be subject to penalty for a time certain beyond the implementation date.

Finally, while the Association is of the position that changes to the Call Report are necessary and useful, regular changes to the Call Report cause operational disruptions for member credit unions. Credit union employees charged with completing Call Reports must adjust their tracking, reporting, and entire processes when there is a change to the Call Report.

The Association suggests that going forward, changes to the Call Report should be made on a standard cycle. It is suggested that review of the call report process, as well as the examination and supervision process, become an institutionalized and regular undertaking in order to avoid the need for another large-scale endeavour. As part of its ongoing review processes, the agency currently undergoes an annual one-thirds review of all of its regulations. Incorporating the call report process and the examination process into this regular review would be consistent with other activities undertaken by the agency, would allow for streamlined incorporation of the

currently unknown parameters of future rule changes, and would allow for the incorporation of any future legislative changes.

In addition, while reorganization and changes to the Call Report are welcomed, it is suggested that during any process, adequate training must accompany any change. Additionally, annual educational opportunities, such as training seminars, videos, or written documents, for completing the Call Report would be welcomed.

The Association thanks the NCUA for its prompt action in rescheduling the deadline of call reports to the final Sunday of the month following the end of the quarter. This change has already proven to be more manageable and allow member credit unions to better prepare and organize responses.

II. Report-Specific Suggestions

Member credit unions offer the following specific suggestions for change to the Call Report Form²:

Page 3, line 28 on Dollar Amount of Share Drafts Swept to Regular Shares or Money Market Accts as part of Sweep Program: remove this line and include this request as part of the share/deposit table.

Page 6 on interest rate fields: these fields are often not representative of the actual interest rates offered by credit unions. The categorization of loans and deposits requests by NCUA often means many types of products are included on one line of the Call Report. Requesting a single interest rate be stated for the blended category does not appear to provide any useful or actionable data and is not representative of the offerings of the credit union. Similarly, most credit unions will use third-party vendors to monitor competitors and peer interest rate offerings, which provides the product-level detail that is needed to be useful.

Page 6, line 15 on loans granted year-to-date: this single line, which includes all loans granted year-to-date, is too broad to be useful. Some of this YTD information is further expanded upon in Schedule A, but Schedule A does not include all of the loan categories. This may be an area for expansion to include all loan categories, or a field to be considered for elimination.

Page 7, lines 3 and 7 on number of potential members and transactional website users: eliminate or expand. The inclusion of these reports as collected has no clear direct utility to the agency. If the goal is to gather information on products offered by the credit union and to gain a picture of potential membership, the request and input requested should be expanded; otherwise, these lines should be eliminated.

² Call Report Form and Instructions effective March 31, 2018, available at <https://www.ncua.gov/regulation-supervision/Pages/documents/call-report-form-3312018.pdf>.

Pages 8-9 on delinquency reporting: combine the count and dollar amount into one table as opposed to the two tables currently on count and dollar.

Page 11: remove sources of borrowing and line of credit information and combine under one table on page 3.

Page 14, Schedule A, Section 2 on real estate loans and lines of credit: streamline this data and remove the “less than or greater than” criteria in the reporting requirements.

Page 14, Schedule A, Section 3 on participation loans: utilize one table to include type and sold/purchased with and without recourse into one table as opposed to the current discrete five questions.

Page 15, Schedule A, Section 2, line 19 on amount of Real Estate Loans Outstanding that will contractually refinance, reprice or mature within the next 5 years and that are not reported in Sect 4, line 1.f. or 2.f.: based on discussions with examiners, it is understood that this field is used for liquidity analysis but it is unclear how one line can be used to judge adequate liquidity. This line fails to capture the risks inherent in liquidity analysis, such as credit and interest rate risk, and does not accurately represent loan runoff in the short term. More reliability on the credit union’s own liquidity analysis (inherent in the ALM policy and concentration risk policy) would be a more prudent way to measure liquidity risk.

Page 16, Schedule A, Section 4 on business and commercial loans: remove the reporting requirement of the \$50,000 aggregate relationship to identify if the loan is a commercial loan.

Page 17, Schedule A, Section 5 on troubled debt restructured loans: combine the current separate pages identifying troubled debt restructured loans that are on accrual and nonaccrual. This is logical as the delinquency page details past due troubled debt restructured loans.

III. Conclusion

The Association expresses its appreciation to the NCUA for seeking stakeholder input into its review of the Call Report and Profile. The call report process is an integral part of the credit union industry’s continued growth and development, the improvement of which could not only ease burden, but also allow for greater efficiency and expansion. The Association hopes that the NCUA carefully reviews these and all other stakeholder comments, and continues to invest in improving the call report process.

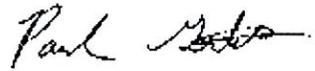
Thank you for your consideration of these views. The Association appreciates the opportunity to provide input and I remain available to address any questions or concerns at 732.865.4641 that you or your staff may have at your convenience.

Comments on NCUA Call Report Profile/Content

April 2, 2018

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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 extending to the right.

Paul C. Gentile
President/CEO

PCG/kb