

April 2, 2018

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

Re: Call Report/Profile Content Modernization

Dear Ms. Thor:

Thank you for the opportunity to comment on the proposed updates to the 5300 Call Report and 4501A Profile forms and instructions and provide our additional recommendations and insight. We have provided comments on several of the questions NCUA outlined in its notice letter.

1. *Are there account codes that are proposed to be retired that are still pertinent? If so, please provide the account code(s) and the reason for maintaining it.*
 - a. **None that we identified.**
2. *Are there additional account codes that should be retired or consolidated? If so, please provide the account code(s) and the reason for retiring it.*

We did not identify any additional account codes to be retired or consolidated at this time. However, we do have some suggested changes for the proposed structure.

- a. **The non-interest income section of the Statement of Income and Expense should be expanded by further breaking out both Fee Income and Other Operating Income to create more visibility into the different types of non-interest income credit unions are recording. Specifically, we recommend the following categories: 1) account service fee income, 2) debit and ATM card fee income, 3) gain on sale of loans, 4) loan fees, 5) investment advisory and insurance fee income, and 6) other non-interest income.**
- b. **We recommend the consolidation of the following line items: Gain (Loss) on Restricted Investments (account code IS0015) and Gain (Loss) on Disposition of Fixed Assets (account code 430) as these accounts are seldom used or immaterial for most credit unions. Instead, these could be included as part of Other Non-operating Income/Expense (account code 440).**
- c. **We recommend moving Investments in CUSOs to the Investment section of the Call Report instead of reporting in All Other Assets. Since these are typically equity investments, moving them to the Investments section would be more consistent with financial reporting and GAAP.**
- d. **Consider adding a line item for "Assets Under Management" for those credit unions that offer wealth management services to its members.**

3. *Are relocated account codes grouped logically? If not, please propose a location you feel is more logically suited.*
 - a. **We recommend relocating Loans to CUSOs to the Loan section of the Call Report rather than Other Assets.**
 - b. **It appears that a new line item was added to the Deposits/Shares section (Schedule FC, account 644) to identify negative share balances. However, under GAAP, negative share balances are shown as unsecured loans rather than as negative balance deposits. We believe this account should be eliminated from this section.**
4. *Should any of the schedules be expanded to assist in analysis based on new rules or accounting changes? If so, please provide details of data the NCUA should also collect.*
 - a. **None noted at this time.**
5. *Are the instructions adequate in both content and design? If not, please cite specific sections that require improvement or correction.*
 - a. **Based on our review of the proposed 4501A Profile Instructions, they appear adequate in both content and design.**
 - b. **Based on our review of the proposed 5300 Call Report Instructions, we continue to believe instructions and/or definitions could be simplified. There continues to be instances where definitions require manual tracking and reporting and question the ultimate value this is providing. See the following instruction definitions below for examples:**
 - i. **Schedule FC-K Item No. 1d. "The primary source of repayment for these loans is the cash flow from the ongoing operations and activities conducted by the borrower occupying the property, and any rental income is less than 50 percent of the source of repayment. Do not include loans secured by investor-owned properties, where the investor leases the property to an unaffiliated operator."**
 - ii. **Schedule FC-K Item No. 1e. "Include investor-owned properties where the investor leases the property to an unaffiliated party, who in turn, operates the business occupying the property. The primary source of repayment (greater than 50 percent) is derived from third-party, non-affiliated rental income associated with the property."**
 - iii. **Schedule FC-I, 1-4 Family residential property. For 1st Liens, it breaks out fixed/hybrid/adjustable loans, along with term. For Junior Liens, it only asks for open-ended and closed-ended, adjustable or fixed. There is no term associated with the Junior Liens. In the situation where a fixed closed-end equity loan is actually in a 1st lien position, we are assuming it will be recorded in the 1st lien section, but with a designated term. In the Junior Lien section, no term needs to be reported. We suggest clarifying in the instructions that 1st Lien Fixed Closed-End equity and HELOCs are to be reported in the 1st Lien section. Additionally, we suggest adding terms to the Junior Lien section for Closed-End loans, similar to the 1st Lien section, to create consistency in reporting residential real estate loans.**
6. *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?*
 - a. **At the minimum, at least 6 months lead-time would be required in order to make all the appropriate account and structure changes to our Call report support schedules and to allow for validation and testing.**

7. *Are there any other operational issues the NCUA should be aware of prior to implementing the proposed changes?*
 - a. **None that we identified.**

8. *From your perspective, do you think this is a reduction in your reporting burden? Please explain.*
 - a. **Based on the simplified structure and the reduction and regrouping of account codes, we believe it will reduce our reporting burden as the Call report will align more succinctly with our internal financial reporting along with our audited financial statements. In the past, it has taken considerable resources to configure our reporting system to the support the Call report. We have had to develop and maintain complicated and burdensome support files to ensure that the Call report reconciles back to our internal and audited financial statements, which is time consuming whenever changes are made to the Call report. The proposed changes help to alleviate some of complexity and workload and provides for more streamlined and consistent reporting.**

We appreciate the opportunity to comment and overall, fully support NCUA's efforts to modernize the Call Report. If you have any questions regarding our feedback, please let me know.

Sincerely,



Chris Harris
EVP/Chief Financial Officer
SAFE Credit Union