

August 12, 2016

Dawn Wolfgang  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Re: NCUA Call Report and Profile, Request for Comment  
OMB Number 3133-0004

Dear Ms. Wolfgang:

On behalf of America's credit unions, I am writing regarding NCUA's Request for Comment on the National Credit Union Administration's (NCUA) Form 5300, Call Report and NCUA Form 4501A, Credit Union Profile. The Credit Union National Association represents America's credit unions and their more than 100 million members.

The responses in this letter not only represent input received from our members at large, but also a working group of our CFO Council that convened for the purpose of providing meaningful input into this response. Their work is reflected in our comments.

We appreciate the NCUA's undertaking of this process and acknowledge that this collection is part of a larger NCUA effort to modernize outdated systems including the Call Report, the AIRES System, CUOnline, and other systems. Further, these upgrades are also integral to the NCUA's review of the overall examination and supervision process. We support the general direction that has been expressed publicly with these projects that they will ultimately reduce the overall regulatory burden to credit unions through the use of enhanced technology, while also obtaining efficiencies in the agency and improving the quality of oversight by the agency. It is our belief that these goals can be accomplished.

Turning specifically to the Call Report and the Credit Union Profile, the NCUA has requested input on (a) Whether the collection of information is necessary for the proper execution of the function of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information, including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility, and clarity of the

information to be collected; and (d) ways to minimize the burden of the collection of the information on the respondents, including the use of automated collection techniques or other forms of information technology.

### **CUNA CALL REPORT SURVEY:**

As part of our effort to assist the NCUA with its reform efforts, CUNA has conducted extensive outreach to its members. Specifically, CUNA's recent "Call Report Requirements Survey" uncovers significant concerns with the 5300 Call and 4501A Profile reports.<sup>1</sup>

- I. **Limited Resources:** Nearly all survey respondents – 79% in all – agree that filing requirements are a "big deal" and 44% of responding credit unions agree that the reporting requirements are "very burdensome".<sup>2</sup>

Although DP vendors typically offer modules that simplify the reporting process, those systems clearly do not eliminate the need for substantial amounts of work – and they often come at a steep price.

In the aggregate, 23% of credit unions agree that they do not have adequate time to prepare the reports. One respondent noted: "I am the only person who does the Call Report and I also have to run and manage the Credit Union at the same time."

On average, credit unions report spending nearly 2.5 FTE-days (19.2 hours) completing the 5300 and 4501A quarterly reports, with time requirements increasing substantially by credit union asset size (and operational complexity). The nation's largest credit unions report staff spends over a week (58.9 hours or 7.4 FTE days) on these reports. Over half (53%) note that the time required to file the reports has increased over the prior 5-year period.

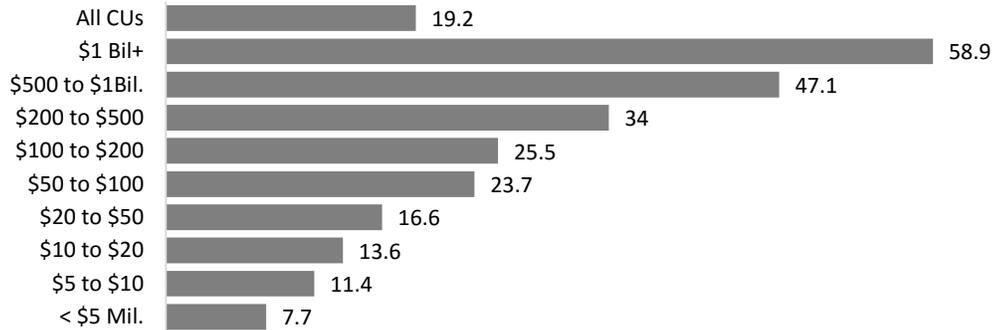
---

<sup>1</sup> CUNA's "Call Report Requirements Survey" gathered information on credit unions' experiences with the call reports and completing and submitting the required data. The survey was e-mailed to each credit union affiliated with the Association at the beginning of August 2014. On August 14, 2014 CUNA's NewsNow online daily carried a story with a link to the survey. One week later, a follow-up email urged non-respondents to participate. In all, 1,366 survey responses were received by mid-September, 2014 – a 28% response rate.

<sup>2</sup> For purposes of this summary, "agreement" is defined as a rating of "4" or "5" on a 5-point scale where "1" represents "disagree strongly" and "5" represents "agree strongly". "Disagreement is defined as a rating of "1" or "2".

### Average Number of Staff Hours to Complete Call/Profile - By CU Asset Size

(Source: CUNA 2014 Call Report Requirements Survey)



Importantly, over one-in-four respondents (27%) say that their credit union spends an unreasonable amount of financial resources to complete quarterly reports. One respondent notes: “For our credit union, the core DP vendor charges a substantial monthly fee to utilize their call report add-on. We cannot afford this monthly fee, so we have to do much more manual/cumbersome reports.”

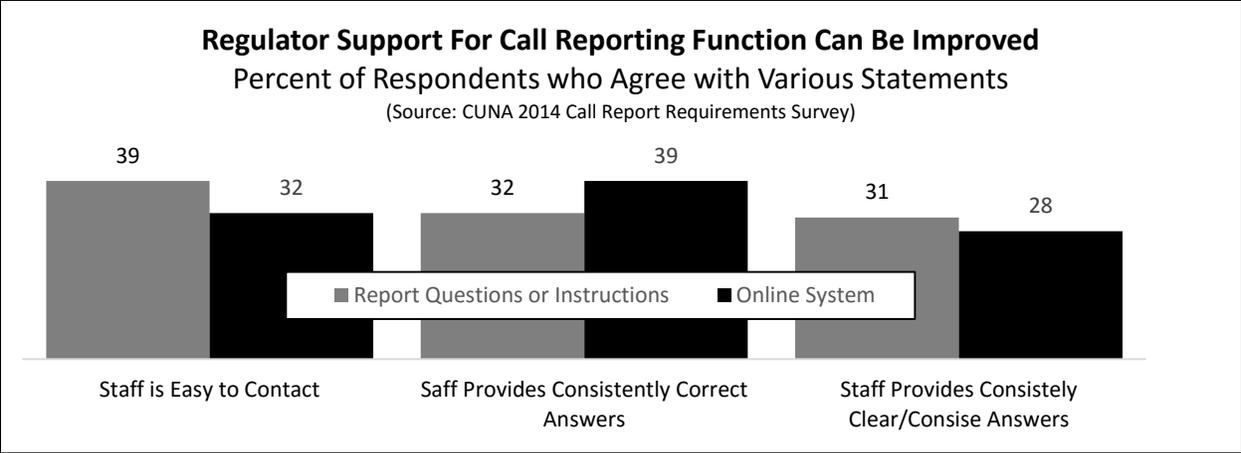
Not surprisingly, 44% of respondents say that the reporting requirements do not adequately account for limited resources available to small credit unions.

II. **Inadequate Support:** Survey respondents often find the reporting process and systems difficult to understand – but see significant gaps in support resources.

Overall, only 23% of credit unions agree that report instructions and/or questions are easy to understand and only 34% of respondents indicate that they think changes to questions and/or instructions are easy to identify. Just over half - only 55% - agree that the NCUA online system is easy to use.

At the same time, large numbers say they do not contact regulator support staff for clarification or assistance: Only 10% say they contact regulatory staff about confusion over quarterly report instructions/questions and only 5% say they make contact due to confusion and/or technical issues with the online reporting system.

This appears to be related to difficulties in getting through and/or to repeated experiences with answers that are confusing or inconsistent: As shown in the graphic below, only 39% agree that staff is easy to contact for clarification on report instructions or questions and only 32% say staff is easy to contact for help with the online system. Overall, only about one-third (32%) say that staff provides consistently correct answers on report instructions and only 39% say that staff provides consistently correct answers for online system queries. Similarly, 31% say that staff provides clear/concise answers on report instructions and only 28% say staff provides consistently clear/concise answers for online system questions.



III. **Improvements:** Credit unions see substantial room for improvement in call reports as well as in the reporting process. For example, 70% of survey respondents indicate that they believe that call reporting requirements should be changed to better reflect credit union size and complexity. And nearly two-thirds (64%) agree that well-capitalized credit unions should be able to file abbreviated quarterly reports. Similarly, over half (52%) agree that well-capitalized credit unions should be able to file reports less frequently.<sup>3</sup>

Survey respondents were asked to provide the “single, realistic change to quarterly reporting requirements [that] would best reduce burdens associated with quarterly report filing”. In all, over one thousand respondents replied to this question. Responses were coded and categorized into broad categories which have been summarized in Table I below. Like items have been grouped together.

As can be seen in the table most respondents indicated that reducing call report frequency and/or abbreviating the report would be the single most important change that would reduce reporting burdens.

<sup>3</sup> While on the topic of call report changes/improvements, it should be noted that although 49% of survey respondents indicated that they expected NCUA’s then-proposed risk-based capital system to increase reporting burdens, many (44%) agree that they support a more precise listing of call report risk assets to get more precise risk-based capital requirements. This sentiment was especially prevalent among large credit unions. For example, 74% of credit unions with \$1 billion or more in assets indicated that a more precise listing of risk assets was desirable.

Table I	
Number of Mentions	What single, realistic change to quarterly reporting requirements would best reduce burdens associated with quarterly report filing at your credit union?
73	Improve instructions/definitions and/or support & advice
96	Improve technology/online system (pre-populate/upload, improve navigation, etc.)
50	Extend/change timing/be more flexible in filing deadline requirements/last day of month
127	Reduce frequency - less than quarterly - especially for small/for well cap
147	Abbreviate report: Reduce volume of information - especially for small/for well cap./Focus only on Safety & soundness data
32	Eliminate redundant/outdated information/questions
15	Eliminate pages/items that don't apply to my CU/that don't apply to small CUs
7	Reduce requirements for small/well capitalized institutions
44	Changes: Reduce volume and/or Better manage changes
29	Make everything add up to match financials/improve ability to reconcile
31	Loans: reduce detail/etc.
17	Schedule A (Specialized Lending): Revamp/improve/eliminate
21	Mortgage loan reporting: Revamp/improve
40	MBL reporting: Revamp/improve/eliminate
35	TDR reporting: simplify/eliminate
50	Delinquency/NCO/bankruptcy reporting
12	Profile report/only update Profile when changed/eliminate cross-reference with 5300
46	Warnings/error messages/exceptions/Rounding errors
46	Other
55	None/Fine as is/necessary evil
29	Not sure/NA
8	Not possible to reduce burden/Not possible to name only one item

**GUIDING PRINCIPLES FOR REFORM:**

Based in part on the foregoing and on input from numerous sources, CUNA suggests the following Guiding Principles for the NCUA to utilize when revising the Call Report and Profile:

1. Revise the forms to make them intuitive and easy to use (a “Turbo Tax” approach would be welcomed);
2. Only collect data that is accurate, relevant, and useable;
3. Collect data that more accurately reflects safety and soundness concerns;
4. Remove data that has little or no supervisory value or value to the industry for peer-to-peer comparison.
5. Remove data where the effort of collection outweighs the supervisory value;
6. The collection of new or additional data through the call reports is acceptable, but **only** if it results in an overall reduction in regulatory burden or an improved/more efficient exam;
7. Improve the clarity and descriptive quality of the instructions to the Call Report and Profile documents. Often instructions provide limited or vague guidance resulting in the variation of interpretation across the industry limiting the supervisory value of the responses; and
8. CUs with less than \$50 million in assets represent an exceedingly small exposure to the insurance fund. Call reporting imposes substantial and unnecessary reporting burdens on these institutions. CUNA believes the Agency should eliminate odd-quarter reporting for any CU below the \$50 million asset size threshold that report a net worth ratio above

10%. Requiring call submission on mid-year and year-end only would provide substantial relief to these institutions without exposing the insurance fund to substantial additional risk. This follows NCUA historical relief from prior to 2002.

### **ROADMAP FOR SPECIFIC CALL REPORT FORM/PROFILE REVISIONS:**

Turning to the actual Call Report Form 5300 and the Credit Union Profile 4501A, CUNA suggests the below Specific Overall Recommendations for Improvements that will apply either globally, or should be included when building the new forms. We further include line item specific comments on the attached “Roadmap to Call Report Improvements” which was developed by CUNA’s Call Report Working Group as well as input from our member credit unions at large.

### **SPECIFIC OVERALL RECOMMENDATIONS FOR IMPROVEMENTS:**

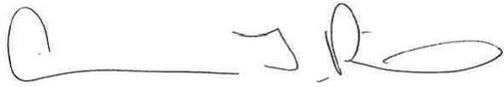
- Make information from all schedules and detail pages feed the Balance Sheet and Income Statement so that it does not have to be entered multiple times, independently reconciled, and validated;
- There should be a tolerance built into the system to avoid rounding issues that might affect reconciliation (\$5.00 suggested amount, but may need to be modified for other fields);
- On the Call Report Form where the identifier for a particular field utilizes the “Code”, use Page & Line Numbers + the Code to ease identification of a field;
- The form should have the capability to highlight related/similar fields that are affected at the same time;
- Data fields that are used in multiple locations should populate in multiple locations upon the first entry into a field;
- Provide the capability to only select those schedules that are necessary for the particular credit union. (i.e. if the credit union does not engage in derivatives, do not require the completion of the form, or allow the program to suppress the schedule);
- Automatically generated warnings should be scaled to the asset size/complexity of a credit union. Further, warning thresholds should be adjusted regularly to account for current economic factors; and
- Call reports should be due at the end of the month similar to other banking regulatory agencies.

### **CONCLUSION:**

The revisions to the Call Report/Profile represent a unique opportunity to bring the Call Report/Profile into the 21<sup>st</sup> Century, and if structured properly, can not only enhance NCUA’s supervisory ability, but further, can reduce the overall regulatory burden on credit unions. We hope our recommendations will aid the agency in this effort. We look forward to further collaboration as this project moves forward.

We greatly appreciate the NCUA's attention to these matters. If you have further questions or would like to discuss this letter in more detail, please feel free to contact me at 202-508-3630.

Sincerely,

A handwritten signature in black ink, appearing to read "A. T. Price". The signature is fluid and cursive, with a large initial "A" and a distinct "P" at the end.

Andrew T. Price  
Sr. Director of Advocacy & Counsel