



OHIO CREDIT
UNION LEAGUE

Aug. 12, 2016

Mr. Mark Vaughan
Office of Examination & Insurance
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Call Report/Profile Content Modernization
Request for Information

Dear Mr. Vaughan:

The National Credit Union Administration's (NCUA) request for information regarding "pain points" and possible solutions to modernize the agency's collection of data is a welcome indicator that the agency is moving further towards real regulatory relief for the credit unions it supervises and examines. On behalf of Ohio's 302 credit unions and their nearly 3 million members, the Ohio Credit Union League (OCUL) encourages NCUA to continue to explore methods to streamline its data collection processes.

In order to identify specific ways in which the current data collection process, in particular the 5300 Call Report, is confusing or duplicative, OCUL gathered a group of credit union personnel tasked with completing the Call Report for their credit unions. The group was comprised mainly of Chief Executive Officers and Financial Officers of credit unions ranging in size from \$6 million in assets to almost \$1 billion in assets. The following is a summary of their concerns.

General Issues

- The amount of time needed to complete the quarterly Call Report varies considerably among credit unions. For credit union staff experienced in completing the report and who have developed their own tools to gather the required information, the consensus is that it takes 8 – 12 man-hours/quarter, but this can increase with inexperience with the report, more complexity in products/services, or both. A survey conducted by one group member of her fellow credit union Chief Financial Officers reported some significantly longer time required to complete the report (40 – 60 man-hours/quarter).
- Personnel tasked with completing the Call Report have different tools they have developed over time to gather the information, using off-the-shelf software such as Excel or Crystal Reports and/or manual records.



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- In a smaller credit union, the information may be spread out across different departments and must be compiled from all those sources.
- Each person has developed his/her own tools, which makes training someone how to submit the report more difficult. Additionally, since these tools are self-developed, the new submitter may have less expertise in using software such as Excel.
- The directions provided on the NCUA website do not provide enough guidance. It can be difficult to explain how to complete the Call Report to someone who has no experience in doing so. Better directions and better training (perhaps broken up into short videos) could assist in this area.

Suggestions

The group suggested several improvements that could be made to the overall functionality of the tools used to submit the Call Report data:

- Allow numbers to be inputted to the decimal point so everything balances without having to manually adjust some entries in order to account for rounding. Alternatively, allow fields have a rounding entry of up to a specific tolerance.
- Allow the ability to input numbers via “cut and paste” to import a number cleanly from MS Word or Excel into the Call Report field. Currently, the submitter cannot highlight the field on the NCUA website and paste the value from the clipboard. Instead, the submitter must highlight and delete the \$0 information in the field before pasting the correct entry.
- Allow typing to overwrite the initial \$0 value in a field. Currently, this functionality is inconsistent.
- Allow standard “Alt-Tab” functionality to navigate backward to a prior field.
- When the submitter scrolls down in a section, the headers don’t always stay visible (especially on the delinquency schedules), requiring the submitter to scroll back up to the top every time to verify which column is in use. The headers could be fixed so as to always display on the screen.
- NCUA should devise a set of data points of information to be submitted. The agency could then manipulate the data to calculate whatever ratios they are reviewing instead of making the credit union manipulate the data. If a standard set of data points is required, that set could be communicated to third party vendors, standardizing the information they supply to credit unions.

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Specific Data Fields or Types of Information

Some of the issues concern specific fields or types of data that must be compiled. The following list provides some examples and is not all-inclusive.

- Page 1: Please clarify the remaining term category needed for Federal Home Loan Bank stock and similar items. The Call Report instructions reference using the "Weighted Average Life (WAL) Investment Schedule;" but, that schedule is not included as an appendix and there is no link to it.
- Page 2, line 16, and page 3, line 10: These fields require including the balance of the Overdraft Protection (ODP) accounts as deposit accounts and as assets. Because of this, the credit union's balance sheet and the 5300 report figures do not match, making it difficult to assure accurate data is provided.
- Page 2 and Page 13: There is no efficient method to report premiums or discounts on loan participation pools (real estate in particular) without manually allocating the weighted proportion of the premium/discount to each individual loan. Without this manual allocation, the real estate total on page 2 doesn't proof to the real estate schedule on page 13.
- Page 7: It is important to track aggregate balances in different loan aging categories, however the warning system requires the submitter to check and verify loans in each delinquent category (even if there are none) if there is one in the same category of a different aging date. For example: If there is a new auto loan that is 90 days delinquent, but none listed as 30-59 days delinquent, the system requires a check before allowing the submitter to continue.
- Page 18, line 13: This item is an accumulation of figures from page 1, 799c1, 799c2, and 7899D, and adding total investments under 3 years of maturity with embedded options. This is an example of a calculation that could be performed by the software, rather than a manual entry by the submitter.
- Please clarify the treatment of repossessed vehicles that are likely to be sold within a short time frame (i.e. 30 days). The current instructions for these are detailed in the section addressing "long-lived assets intended for sale," but "long-lived" is not defined. Without clarification, this implies all repossessions are long-lived, even if the vehicle is likely to sell within a 30- or 45-day period. If the submitter follows the exact Call Report instructions, even for loans that may be sold in short order or loans where the credit union must give the member an opportunity to redeem the vehicle (for example, indirect car loans under Ohio law), "book entry" adjustments are required for the Call Report that may not occur on the actual financial statements or that must be reversed after quarter-end to allow the actual entries to take place.

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- The treatment of lines of credit for the purposes of “New Loans YTD” and “New S Loans YTD” should be aligned. They are treated one way for the count of new loans, and a different way for the dollar amount of new loans. Reporting credit card lines of credit is particularly challenging because of the data the credit union must receive from third-party service bureau platforms, who do not report the information according to NCUA Call Report requirements.
- Reporting Member Business Lending (MBL):
 - Classification and reporting of MBLs can be confusing because of the specific rules classifying how MBLs are treated for different purposes on the Call Report. To illustrate this point:
 1. The loan is an MBL if the balance at the time of the Call Report is greater than \$50,000.
 2. However, even if the balance is less than \$50,000 at the time of the Call Report, the loan must still be treated as an MBL for purposes of the Risk-Based Net Worth (RBNW) calculation.

Therefore the loan is not an MBL for much of the Call Report, but then must be classified as an MBL in another part. This is confusing and can be challenging to complete accurately.

- MBL classification for participated loans is also flawed because the threshold for classification as an MBL is a balance *on the individual credit union's books* greater than \$50,000. This creates a scenario where multiple credit unions may own pieces of a single larger participated business loan, but it may not be classified as an MBL for all of them, even though the risk profile of that loan is the same. One potential scenario: Credit Union A originates a business loan for \$1 million. CU A keeps \$100,000 of that loan in portfolio and sells participations of the balance. Most other participating credit unions buy \$100,000 shares of it, but small CU B only buys \$45,000. CU A must report it as a business loan. CU B is not required to report it as such. Even when the loan is paid down and the remaining balance is less than \$50,000 for CU A, it must still report that loan's impact on the credit union's RBNW calculation. CU B is not required to report that impact on its RBNW at any point in time. The impact of the participated loan on the two different credit unions' RBNW fails to give NCUA a view of common risk across credit unions.
- MBL secured by real estate: If data is entered in line 1A on page 10, the submitter receives a warning that corresponds to page 15, line 9. In order to avoid getting the warning, the submitter must omit entering information, which was indicated as acceptable by the NCUA examiner. However, this does not report that the credit union has non owner-occupied mortgage loans that must be considered MBLs, resulting in flawed data.

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- Quite often, when the submitter narrates responses to the warnings triggered by the software, then saves the data and exits, the explanations are blank the next time the submitter goes in to view the warnings. The information must then be re-entered.
- When using information supplied by a third party, the formats of the various Trial Balances are different, so the information must be converted into the format required for the Call Report.

Conclusion

NCUA's efforts to modernize its Call Report and data collection efforts will bring much-needed regulatory relief to the credit unions it supervises and examines. OCUL presents the above information and suggestions to help NCUA identify specific areas of improvement and is happy to provide further information if requested. Please contact me at (800)486-2917, ext. 212, or e-mail pharris@ohiocul.org.

Sincerely,

Patrick Harris
Vice President, Government Affairs

cc: Stan Barnes, OCUL Chair
Barry Shaner, OCUL Government Affairs Committee Chair
Credit Union National Association

