

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

Dear Ms. Thor,

First Empire’s affiliate company Balance Sheet Management Services is a provider of Asset Liability Management and Regulatory Consulting services to credit unions. In our ALM process we extensively use current and historical call report data to produce various analytics that help our credit union clients more effectively measure monitor and manage their interest rate risk as well as help support the reasonableness of assumptions in the ALM modelling process.

Our comments regarding the questions asked in the Federal Register Notice of January 31, 2018 are below.

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. The following account codes and descriptions are proposed to be retired. We currently utilize these account codes in the historical regression analysis of credit union loan and share rate sensitivity. Retirement of this data collection will make it more difficult for our credit union customers to effectively measure monitor and manage their interest rate risk.

Account Code	Account Name
Acct_521	Interest Rate of Unsecured Credit Card Loans
Acct_522	Interest Rate of All Other Unsecured Loans/Lines of Credit
Acct_522A	Interest Rate of Payday Alternative Loans (PAL loans)
Acct_523	Interest Rate of New Vehicle Loans
Acct_524	Interest Rate of Used Vehicle Loans
Acct_525	Interest Rate of Commercial Loans/Lines of Credit Real Estate Secured
Acct_526	Interest Rate of Commercial Loans/Lines of Credit Not Real Estate Secured
Acct_532	Dividend/Interest Rate of Money Market Shares
Acct_547	Dividend/Interest Rate of Share Certificates with 1 Year Maturity
Acct_552	Dividend/Interest Rate of Regular Shares
Acct_553	Dividend/Interest Rate of Share Drafts
Acct_554	Dividend/Interest Rate of IRA/KEOGH and Retirement Accounts
Acct_562	Interest Rate of Total Other Real Estate Loans/Lines of Credit
Acct_562A	Interest Rate of Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties
Acct_562B	Interest Rate of All Other Real Estate Loans/Lines of Credit
Acct_563	Interest Rate of Total 1st Mortgage Real Estate Loans/Lines of Credit
Acct_563A	Interest Rate of Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential Properties
Acct_565	Interest Rate of Leases Receivable
Acct_585	Dividend/Interest Rate of All Other Shares
Acct_595A	Interest Rate on Non-Federally Guaranteed Student Loans
Acct_595B	Interest Rate of All Other Secured Non-Real Estate Loans/Lines of Credit
Acct_599	Dividend/Interest Rate of Non-Member Deposits

- B. Account Code 672C “Loans to and Investments in Other Natural Person Credit Unions” is proposed to be retired.

“Time Deposits in other natural person credit unions” are proposed to be included in the new Acct Code AS0007 on Page 1, Statement of Financial Condition, Schedule FC, Line 4 and on page 7, Investments – Maturity Distribution, Supplemental Information, Schedule FC-C, Line 1.

There is no investment line item on proposed Schedule FC or proposed Schedule FC-C for loans to other natural person credit unions.

Given that Federal Credit Unions are authorized to make loans to other federally insured natural person credit unions under the Federal Credit Union Act, Investment Authority, Section 107(5)(C), a line item for Loans to Other Natural Person Credit Unions must be added the proposed Schedule FC Investment Section and proposed Schedule FC-C Investment Supplemental Information.

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.

No

3. Are relocated account codes grouped logically? If not, please propose a location you feel is more logically suited.

Yes

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. On Schedule FC-E (Loans Supplemental Information) Account Code 031B, "Amount of Loans Granted Year to Date", is currently collected for total loans. In addition, on Schedule FC-I (1-4 Family Residential Property Loans, Supplemental Information) and on Schedule FC-K (Commercial Loans, Supplemental Information) this data "Amount of Loans Granted or Purchased Year to Date" is also collected for those specific subsets of loans. We recommend adding "Amount of Loans Granted or Purchased Year to Date" for all of the sub-set loan categories on proposed Schedule FC-E, Line items 1 through 14 (eg. Unsecured Credit Cards, Payday Alternative Loans, Student Loans, Unsecured Loans, New Vehicle Loans, Used Vehicle Loans etc.)
- B. We recommend expanding Schedule FC-H Indirect Loans Supplemental Information. Specifically we recommend adding several additional line items collecting more granular sub-sets of data such as "Indirect Auto Loans", "Indirect 1-4 Family Real estate Loans", "Indirect Commercial Loans", "Indirect Member Business Loans" etc.

5. Are the instructions adequate in both content and design? If not, please cite specific sections that require improvement or correction.

- A. In the proposed instructions to the call report, in the definitions section (page 127 of the PDF) the definition for Commercial Loan accurately states:

Commercial Loans

Excluded from this definition per §723.2 are loans:

- *made by a federally insured credit union to another federally insured credit union; (Reported on the Statement of Financial Condition as an investment).*

As noted above in response to question # 1, our recommendation "B", the proposed Statement Of Financial Condition Schedule FC, Investment Section, and the proposed Schedule FC-C: Investment Supplemental Information do not include a line item for loans to other natural person credit unions. There is also therefore no reference in the proposed instructions of where to report such loans in the investment schedules (proposed FC and proposed FC-C).

The current Instructions to the Call Report, Statement of Financial Condition, Page 1, Investment Section, Line 8 (current account code 672C) includes the following instructions:

"Loans to other natural person credit unions should be reported on this line and not included in the amounts reported under the Loan & Leases section. (Note: Loans in credit unions that are not held as an investment should be reported under Loans & Leases.)"

This same statement needs to be defined somewhere in the proposed instructions for the appropriate investment line item on proposed Schedules FC and FC-C.

Thank you for your consideration in this regard.



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