



WASHINGTON, D.C.
601 Pennsylvania Avenue NW
South Building, Suite 600
Washington, D.C. 20004-2601
Phone: 202-638-5777
Fax: 202-638-7734

December 21, 2017

Ms. Amber Gravius
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
Submitted *via* email: BIMail@NCUA.gov

RE: Electronic Data Collection Modernization

Dear Ms. Gravius:

The Credit Union National Association (CUNA) appreciates the opportunity to provide information regarding electronic data collection and standardization. CUNA represents America's credit unions and their 110 million members.

CUNA appreciates the intent of the National Credit Union Administration's (NCUA) Business Innovation Office (BIO) to standardize data collection to provide a consistent and objective examination experience as well as minimize on-site examination time. Credit unions have been united in support of the examination modernization efforts undertaken by the NCUA in recent years. The discussion subject to the Request for Information (RFI) on data collection, however, appears to apply a one-size-fits-all model to data collection that may be inappropriate for smaller credit unions, given the volume, quantity, and specialization of products and services offered, as well as technology resources and infrastructure constraints. CUNA recommends that any data collection proposal reconsider the impact that additional technology reporting and compliance would have on small credit unions' ability to serve their members, keeping in mind the lack of negotiable power wielded toward vendors, the additional record-keeping and compliance costs involved, overall automation and manual file-keeping transfer requirements unique to smaller institutions, as well as limited personnel and staffing resources. Any mandatory one-size data collection effort, as outlined in the RFI, would be nearly insurmountable for the majority of America's smallest credit unions.

CUNA strongly believes that any data collection and standardization initiative should have reasonable implementation timeframes to comply with any reporting requirements. Further, CUNA maintains that any reporting should be limited to forward-looking data, beginning on the date of compliance, with prior loans and product offerings grandfathered from requiring a manual-intense quasi-underwriting process of loan documentation information that may well be outdated at that point. Any new requirements would need to include a multi-year phase-in period during which vendors and credit unions could adequately recalibrate data systems to account for any newly-required information fields, well in advance of any required compliance effective

date. While standardized data collection can be a good idea in the long-run, CUNA feels this request for information draft represents a departure from the initiative to improve and modernize the examination process, and could in fact be more onerous on credit unions than having the status quo.

Question 1. Are there data fields that cannot be reasonably provided electronically? What other data fields should NCUA consider?

CUNA believes that many of the data fields outlined in the discussion draft are beyond what is reasonably needed for a regulatory examiner to examine a credit union for safety and soundness. Several of the listed fields would be inapplicable to many product lines: draw period, policy exception, number of renewals, reserve losses, sold percentage, dealer reserve balance, four sections for delinquency counters, last file maintenance action code, credit disability, are a few that come to mind. The length of time to finalize a loan application would be significantly extended with so much additional documentation required, resulting in fewer loans being underwritten. Further, ongoing compliance to update the listed fields, as a matter of course, would likely necessitate another full-time compliance professional, if not more. NCUA should absolutely reduce these fields. While these additional fields may make sense in a thought tree, in practical application, the discussion draft puts forth entirely too many inapplicable and ineffective data fields that provide little, if any, safety and soundness benefit. CUNA maintains that existing portfolio loans should not be subject to any backward-facing enhanced data requirements.

In many credit unions, different data software and reporting platforms may exist based on the type of product or service at hand. For example, data relating to real estate loans may be housed in a separate database than automobile loans. This illustrates the variance among institutions as to how data is compiled, stored, and integrated, according to their unique needs. A singular reporting system that would need to integrate with multiple vendor-issued software programs is an unlikely solution, rendering increased need for manual inputs into a second- or third-database tier.

Question 2. For electronic data, what file formats are available?

Despite the ubiquity of Microsoft Suite, many businesses chose, within their right, alternative computer processing options, including but not limited to software by Google, Linux, Corel, Apple, Quark, Adobe, and others. Any limit on software compatibility could require significant back-end costs, which would be particularly onerous for small credit unions, that may opt against pricey interval-based licensing agreements in favor of a one-time (not automatically-updated as newer versions are released) software procurement, that often is not compatible with newer systems.

Beyond license-owned software services, BIO should consider developing a tool to transmit data in a standardized, readily-consumable, and human-readable open source file format (e.g. xml, csv, json) rather than require credit unions to rely on pricey vendor-based systems that will likely be built on outdated technology by the time they are up and running.

Question 3. IT limitations?

The majority of the data fields outlined in the discussion paper are not currently collected by credit unions. Indeed, most of the data fields outlined are not currently collected by community

banks either. While some of the loan underwriting data may be captured at the time of loan origination and/or underwriting, that is rarely then transferred into the main credit union database to the extent discussed herein. Further, current credit union vendor database offerings are not this exhaustive and the cost of dramatic vendor reconfigurations would quite likely be borne entirely by, if not indirectly passed down onto, credit unions and their members.

For reference, most vendor software updates take as long as three years from start to finish to fully implement. Additionally, after product delivery, credit unions still must engage in testing and eliminating software “bugs,” prior to “going live” with a new system. In updating data collection requirements for compliance with Consumer Financial Protection Bureau (CFPB) regulations on the Truth in Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure (TRID) rule, credit unions found that managing the information technology (IT) load was significant and often requires dedicated internal project teams and resources, to the tune of millions of dollars in additional compliance costs.

Perhaps no IT limitation is greater than the impact on personnel. At a time when credit unions of all sizes scramble to improve their online presence and functionality, mobile banking capabilities, and responses to non-finalized proposals to bring websites into Americans with Disabilities Act (ADA) compliance for the vision-impaired, staff resources are accounted for on other initiatives. From an IT, quality control and assurance, as well as corporate governance staffing perspective, multiple full-time employees (FTEs) would need to be involved in a massive data overhaul of development, testing, implementation, migration, and quality assurance. Training modules would also need to be developed, tested, and implemented, on an ongoing basis to ensure staff using any new database or interface system understood any new requirements. Customer-facing staff would also need additional training to understand and appreciate any new loan information that needed to be collected at the intake point, as well as ongoing.

Question 4. Number of vendors, systems, or service providers used where data extraction can currently be made for examination purposes.

For many smaller credit unions, the number is zero. Credit union IT vendors have, in past, been customarily tardy in meeting projected implementation timelines for regulatory compliance. Serious industry concerns exist as to the ability of vendors to deliver a scalable, reliable, and effective platform on-time, given the vendors have no legal accountability for regulatory compliance of clients.

Question 5. Reliance on third party vendor to produce raw data downloads? Flexibility to self-customize?

Most credit unions rely on third-party vendors to produce data downloads, without the ability to self-customize. Additionally, the testing parameters vendors use for beta are not equivalent to real-world, scalable inputs. Credit unions find that vendor test environments often fail to highlight and effectively troubleshoot actual user and interface compatibility issues, requiring credit unions to double-back and perform their own internal testing, in addition, once the product is off-the-shelf. In many relevant fields listed in the RFI, the information requested, if available, is not housed in the credit union core processing system.

Question 6. Technological challenges NCUA should consider (file names, format, dates)

As many systems require different naming conventions, source code, embedded metadata, security standards, and the like, integrating additional systems to the extent that would be required in the RFI could only be accomplished by time- and dollar-intensive manual data processing.

Question 7. Additional initial and annual costs expected?

While compliance costs would skyrocket immediately, they would diminish over time as new systems would become integrated and troubleshooting improves. To the extent, however, that systems compliance would require re-cataloguing old files, the cost may never decrease, given the manually-intensive Sisyphean task that would comprise. The ongoing cost involved to train credit union staff on new systems would also be significant.

Further, from a data warehousing perspective, the additional costs to house and protect any new data collection requirements would be significant, especially for smaller credit unions, that would only increase over time, given record retention compliance requirements.

Question 8. Ability to retain and create current loan and data and also new download formats?

This is a question for the vendors, but the advanced technology infrastructure required to host two separate data formats and have them work concurrently would be incredibly expensive and time-consuming not only to create, but to implement and maintain. Systems would need to be overhauled from the ground up.

Question 9. Should NCUA eliminate the “critical” and “optional” data categorizations?

CUNA asserts that any new data collection and standardization should not follow a “one-size-fits-all” model. To the extent any new requirement could separate out compulsory versus non-compulsory would be beneficial to credit unions.

Question 10. Proposed alternatives to standardized collection to minimize burden.

As previously stated, any standardization of this scale should wholesale exempt the smallest in the industry.

CUNA would support a data collection system utilizing a Turbo Tax-style (or “Choose Your Own Adventure” cataloging system) whereby a credit union could input data based on their specific needs. To the extent fields could be entirely categorized as non-applicable at the outset would also be useful.

NCUA should engage vendors and include them in the dialogue and process to ensure that any new requirements can be effectively and expediently made, with assurance and buy-in from the entities that will largely be responsible for crafting the technology solution. An Advisory Committee that would include the primary core processor vendors, sample representative credit unions at multiple asset classes, and NCUA/BIO rule-writers would be a positive step toward ensuring all parties were reading from the same script.

Question 11. Implementation strategies and timelines?

Implementation of a technology solution of this scale would likely be a multi-year development and testing process. Any new data collection requirements should be phased-in, with sufficient time to deploy systems, test, beta, and should also include a hold harmless timeframe wherein credit unions would not be subject to enforcement actions based on integrating the new data requirements.

Question 12. Information security controls or assurances from NCUA?

CUNA would support a standard that holds harmless credit unions providing information to their functional regulator as part of ongoing safety and soundness supervision.

Conclusion

The RFI makes an underlying assumption that the standardization of data would yield reduced on-site examination time and improve examiner efficiency. CUNA notes, however, that as many examiners remain “in the field” conducting examinations near-consecutively, there is concern that unless that factor undergoes a sea-change, idealized returns may dissipate. If an examiner is consistently in-the-field, would the examiner have an adequate opportunity to effectively ingest the data prior to arriving on-site for the examination? Would the additional burden of new reporting requirements in fact save examiner resources in practice? Under current constraints, that may not presently be the case.

Thank you for the opportunity to comment on this proposed rule. If you have questions concerning this letter, please feel free to contact me at 202.626.7627.

Sincerely,

Monique Michel
Senior Director, Advocacy & Counsel
mmichel@cuna.coop