



February • 2017

**Call Report Modernization Initiative:
Internal Stakeholder Feedback
National Credit Union Administration**



Overview and Objectives

The National Credit Union Administration's regulation and supervision of federally insured credit unions is designed to protect the safety and soundness of credit unions and to enforce the applicable laws and regulations that protect members. As the financial services industry and credit union risk landscape evolve, NCUA must regularly review and update our processes—including those related to data collection. Additionally, NCUA must collect the data needed to properly monitor and supervise risk at federally insured credit unions without imposing an undue reporting burden.

On October 24, 2013, NCUA adopted a rule requiring all federally insured credit unions to electronically file quarterly 5300 Call Reports and update 4501A Profile. When the rule went into effect in January 2014, the change reduced agency operating costs and incorporated environmentally responsible practices, as well as serving to reduce data entry errors. NCUA publishes quarterly Call Report deadlines and provides support materials on NCUA.gov.

At the May 19, 2016 meeting of the NCUA Board, the agency discussed plans for modernizing NCUA's data collection of data from federally insured credit unions. The objective is to explore how changes to NCUA's data collection practices can enhance off-site monitoring and pre-exam planning as well as reduce the burden on submitting credit unions.

To achieve this objective, NCUA created the Call Report Modernization working group, which complements NCUA's Enterprise Solution Modernization program.¹ The work group is employed a variety of outreach vehicles to gauge stakeholder views.

Stakeholder Feedback

NCUA solicited feedback through a variety of outreach efforts to ensure all stakeholders had the opportunity to comment on the agency's modernization efforts:

- In June 2016, NCUA issued a [Request for Information](#) in the *Federal Register* seeking public input on the regulatory data collected through the Call Report and Profile. [Comments](#) received in response to the seven questions were accepted through August 15, 2016.
- On September 13, 2016, the Office of Examination and Insurance solicited feedback from the regional offices, central offices, and state supervisory authorities (SSAs) to generate recommendations related to Call Report and Profile content changes. Recommendations were received through October 7, 2016.
- An optional survey soliciting feedback on the Call Report Modernization project was available to all agency staff September 13 through September 30, 2016.

¹ The Enterprise Solution Modernization initiative is modernizing NCUA technology solutions to create an integrated examination and data environment. Related questions and suggestions may be sent to bimail@ncua.gov.

- The Office of Examination and Insurance hosted phone calls with SSAs and credit unions during the weeks of October 24 and October 31, 2016, giving stakeholders the opportunity to voice recommendations for the Call Report and Profile.

NCUA developed and posed the following six questions to regional offices, central offices and SSAs:

1. What feedback, if any, have you received about the Call Report and Profile forms and instructions that result in inquiries that require research and assistance for analysts, field staff, or credit unions?
2. What sections, schedules, or items on the Call Report or Profile could be made optional for small or non-complex credit unions without complicating assessments of risk?
3. What specific items could be added to the Call Report or Profile to enhance our analysis of local, regional and national performance trends or improve comparisons of individual credit unions with peer institutions?
4. What additional data do you collect to supplement Call Report data for your regional or office risk reporting needs?
5. What data do you think NCUA should acquire from external parties (such as credit bureau data)?
6. How would you reorganize the Call Report or Profile to make it easier to complete?

Analysis

This report summarizes the feedback received from NCUA staff and state supervisory authorities. Each comment received was logged, reviewed, and categorized. In total, the agency received almost 492 individual comments (Table 1).

Table 1 Feedback Received by Groups

Group	Total Comments
NCUA Regional Offices/Central Office	101
NCUA staff survey	312
State Supervisory Authorities	74
Email (Suggestion from CU Online)	5
Total	492

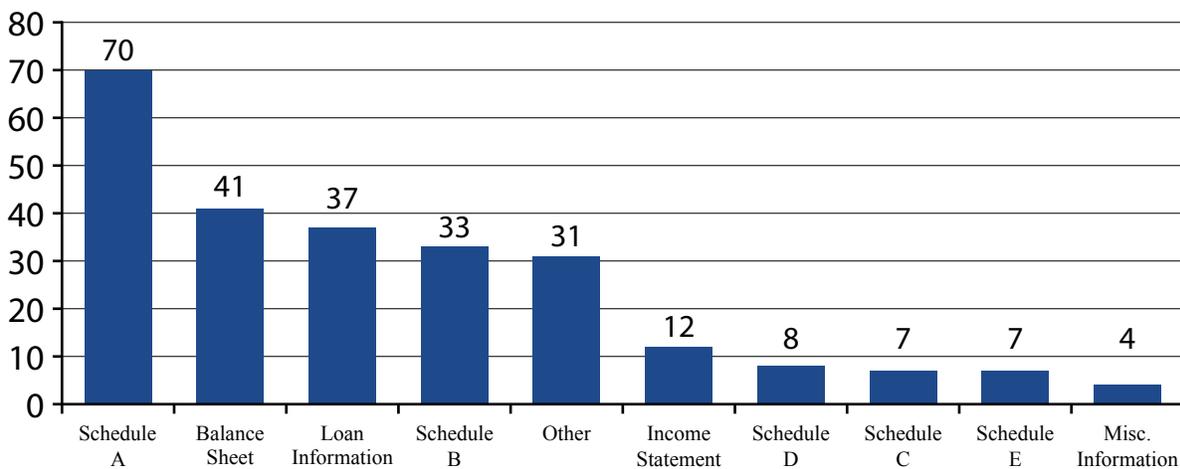
Next, the working group reviewed and determined whether the comments were related to either the 5300 Call Report or the 4501A Profile. The working group separated the comments into categories, such as aesthetics, functionality, user’s guide, data fields, call report errors, call report warnings, and instructions (Table 2).

Table 2 Number of Comments by Category

	Call Report Comments	4501 A Profile Comments
General	237	16
Aesthetics	9	3
Data Fields	78	12
Warnings	22	--
Errors	2	--
Functionality	43	4
Instructions	61	4
User Guide	1	--
Total	453	39

The majority of commenters provided feedback specific to the Call Report (453 comments, or 92 percent of all feedback). The chart below illustrates all Call Report comments by sections of the Call Report form:

Figure 1 Call Report Form Sections



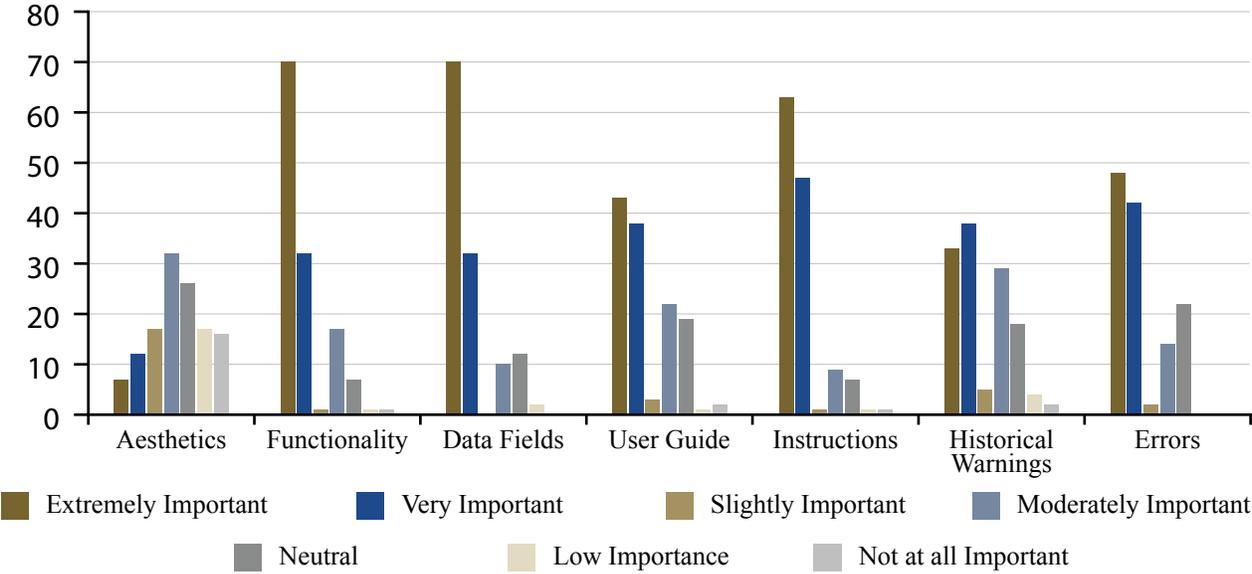
Schedule A received the most comments, followed by comments about the balance sheet and loan information. Of the comments related to Schedule A, 25 (36 percent) were specifically related to member business loans, with 11 commenters suggesting the member business loan section become more granular or comprehensive.²

The balance sheet section of the Call Report received the second highest number of comments. Several comments were related updating and adding additional data fields or subcategories to the balance sheet, while others suggested amending and clarifying the cash and investment sections. Additionally, commenters asked for clarification on reporting negative shares.

² Comments are based on the current member business loan regulation. Data fields related to member business loans are under review in association with the implementation date of member business loan rule changes that became effective January 2017.

The working group also used an optional survey as another way to collect feedback and asked commenters to rate the level of importance by category. The graph in figure 2 shows the rating results for each category. The categories are rated from extremely important to not important at all.

Figure 2 Optional Survey



The following sections summarize the working group’s analysis of feedback on the three highest-commented areas: data fields, instructions, and functionality.

Data Fields

Several commenters focused on the need to expand the member business loan, indirect lending, and employee benefit plans sections of the Call Report. Commenters indicated they would like to see these areas become more granular for offsite monitoring. Almost all NCUA regions stated a desire to separate taxi medallion information in the Call Report, to allow tracking this information given the volatility of such portfolios (outstanding balance, amount participated and delinquency, among others).

Various commenters suggested too many loan types are grouped under “Total All Other Loans/ Lines of Credit” on the second page of the Call Report and suggested adding data fields for additional loan types. Stakeholders responding to the online survey also suggested adding more granular data collection for:

- Investments, such as complex investments and weighted average life
- Information Systems and Technology
- Loans, including more information on delinquent loans

Commenters also requested NCUA capture additional information on the Profile to enhance offsite monitoring and ensure compliance with NCUA rules and regulations. Some of the

suggestions included capturing whether senior officials perform functions at other credit unions, and adding the date each official or employee was elected or hired in the contact section of the Profile.

Instructions

Survey results showed more than 40 respondents emphasized the overall Call Report instructions can be challenging. Stakeholders suggested NCUA expand and clarify existing instructions. Commenters recommended providing clearly defined terms, with descriptions, for each line item in the Call Report instructions.

The majority of commenters recommended providing specific examples in the instructions, and expressed an interest in providing more than one example for the most complex products. The following sections of the Call Report instructions were frequently cited as needing improvement:

- Reporting merger information
- Employee benefit programs, including deferred compensation plans
- Charging off negative shares
- Indirect lending programs
- Real estate loans
- Participation loans
- Credit Union Service Organizations (CUSO) information³
- Member business loans
- Investments
- Borrowing agreements

Functionality

In general, stakeholders reported issues with the technology used for the Call Report, and indicated that streamlining and organizing content would enhance the collection of data. One of the main suggestions was to have credit unions indicate which products and services they offer before entering other information. This would help determine the overall complexity of a credit union and require credit unions to complete only the sections applicable to their services and structure.

Survey respondents offered several recommendations to improve Call Report functionality:

- Allow a credit union to input data once and make data to flow to other sections of the Profile and Call Report;
- Upload and save credit union financial statements or general ledger when completing the Call Report to ensure accurate validation;
- Allow flexibility to delete, copy and paste, and backspace when responding to historical warnings;
- Add automatic save function when switching to another section of the Call Report;
- Decrease the number of manual calculations required; and
- Define input data fields for vendors so they can create an output file for credit unions to make completing the Call Report less burdensome.

³ The CUSO Registry contains additional CUSO information.

Respondents noted the 4501A Profile does not allow credit unions to save work in progress and suggested that NCUA allow a credit union to save a draft version before submitting the Profile. Stakeholders also recommended any changes to the Profile form or data should highlight the information changed since a credit union's last certification date.

Some respondents advised NCUA needs to make data more accessible to state regulators. NCUA's current system requires state regulators to download an .xml file of Call Report data that must further be manipulated for use. This process is time consuming and labor intensive. Respondents indicated it is very difficult to utilize, sort, and get what they need when trying to get data for a state or for a group of credit unions.

Other Comments and Recommendations

Three commenters requested that NCUA capture all questions or suggestion related to the Call Report and 4501A Profile, and the corresponding responses. Commenters suggested making this information available in a central location to provide clarity and consistency in reporting.

Some commenters felt it would be beneficial for NCUA to obtain data from a credit union's direct investment system to help detect fraudulent activities. Another commenter suggested obtaining stronger support of the agency's ongoing efforts to obtain Federal Reserve Bank and corporate credit union transaction information through appropriate information sharing agreements. This information would be used to better understand and monitor material changes in transaction volume, especially in terms of potential money service businesses activities. Additionally, if it is possible to identify the correspondent banks, this information would be beneficial for offsite supervision purposes.

Another recommendation was for NCUA to collect economic data through the Call Report. Such data could include national, regional, and state unemployment rates, as well as wage growth, employment growth, housing statistics, and among others.

To improve peer comparison, ten commenters suggested updating peer analysis to include a geographic component, as well as expanding peer groups by additional asset sizes. Additional areas where commenters would like to see improvements or expansion to peer comparison include:

- Products and services
- Expenses
- Investment information
- Allowance for loan and lease losses
- Risk indicators

The collection of additional data and the data source were the subject of several comments. While some commenters indicated that credit bureau information would be helpful for offsite monitoring, others questioned what NCUA would do with such information. Some stakeholders suggested that external data—credit score migration, loan and share data, and CUSO information

should be acquired directly from the external party, versus being routed through a credit union. Finally, several stakeholders recommended NCUA make more tools available to staff for analyzing data.

Conclusion

Comments from the regional offices, central office, SSAs, and survey were consistent. They reflected an in-depth review of the topic, and recommended revisions to the Call Report form and instructions which are important and relevant. In addition to the Call Report revisions, commenters emphasized the importance of expanding and enhancing the analytical tools made available to staff for offsite monitoring. The feedback received is informative and expands the possibilities to make significant changes.