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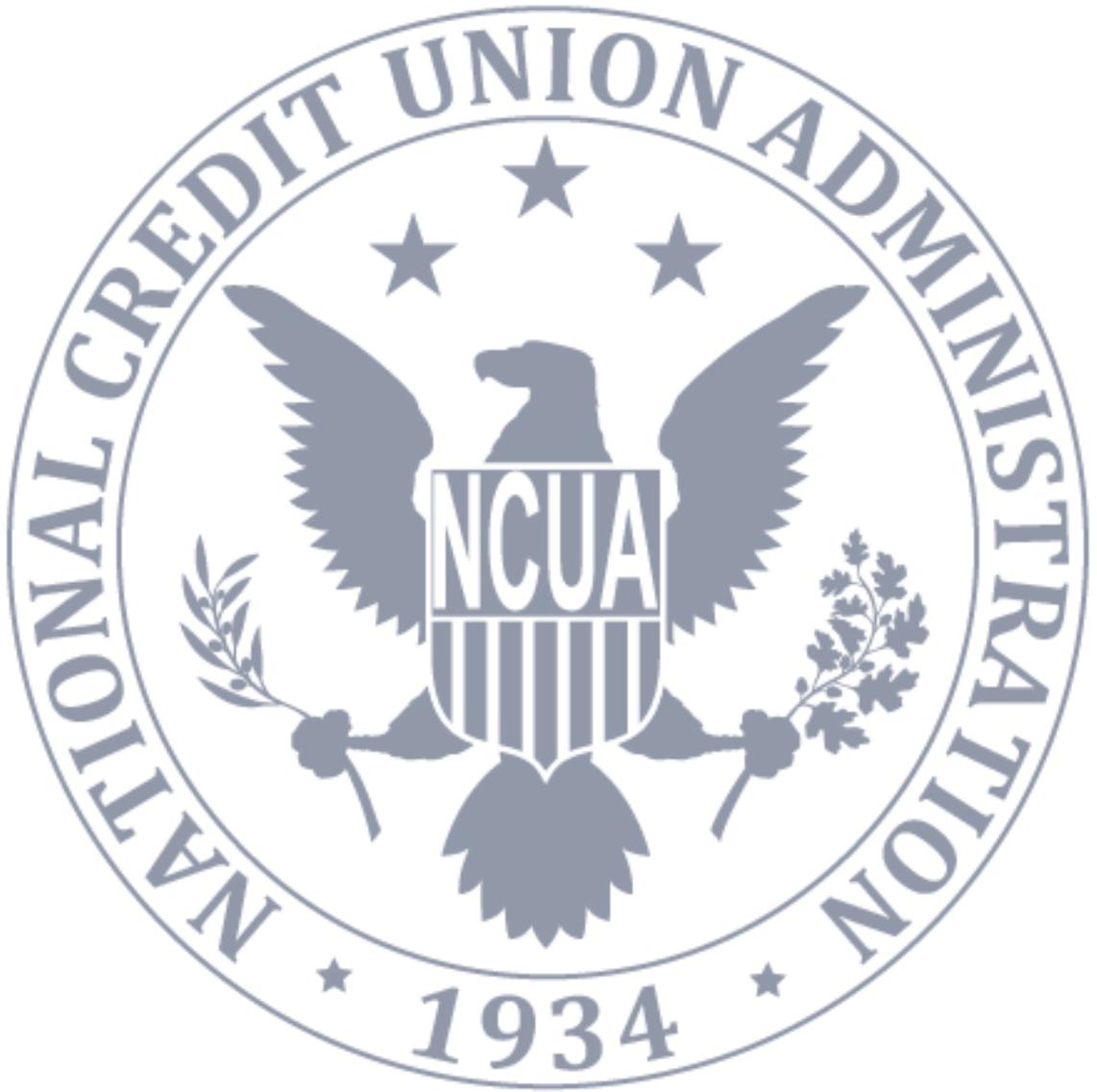
National Credit Union Administration

## Electronic Loan, Deposit, and Investment Data Collection Request for Information (RFI): Stakeholder Outreach

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## Electronic Loan, Deposit, and Investment Data Collection Request for Information (RFI): Stakeholder Outreach

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## Overview and Objectives

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

At the October 19, 2017, meeting of the NCUA Board (the Board), the Board notified the public of its intent to modernize the collection of loan, deposit, and investment data from FICUs with an overarching goal to formalize and standardize data formats collected during examinations from the core data processing and offline systems.<sup>1</sup> The proposed modernization is part of the agency's Enterprise Solution Modernization program and is expected to provide benefits to the agency and to FICUs, including a more consistent examination process, more efficient use of examiner time, reduced burden on FICUs—including less time examiners spend onsite—improved data reliability and quality, and better data for analytics.

Examiners obtain electronic data at the beginning of every examination, during some supervision contacts, and on an ad hoc basis from FICUs. This raw data, sometimes from multiple sources and in multiple data files, provides examiners with essential information for evaluating risks in FICUs. This evaluation process is integral to risk identification and is central to safeguarding the integrity of the National Credit Union Share Insurance Fund (NCUSIF). The agency last changed the loan and share download, also known as the AIRES download, in April 2003. Since then, FICUs have grown larger and more complex and the data requested from FICUs during the examination process has expanded beyond the fields in NCUA Letter to Credit Unions 03-CU-05.<sup>2</sup>

On October 31, 2017, the NCUA published a Request for Information (RFI) in the Federal Register seeking input on potential plans to standardize and increase the number of loan, deposit, and investment data fields collected during examinations.<sup>3</sup> The

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<sup>1</sup> Offline systems are defined as other IT systems not connected or linked to the core data processing system or third party vendors with loan, deposit, and investment data. These may include, but are not limited to, credit cards, mortgage loans, student loans, indirect loans, etc.

<sup>2</sup> [Letter to Credit Unions 03-CU-05 - Expanded AIRES Loan and Share Record Layout Specifications \(April 2003\)](#).

<sup>3</sup> [82 FR 50447 \(October 31, 2017\)](#).



comment period ended on January 2, 2018. After evaluating the written responses,<sup>4</sup> the NCUA conducted a series of stakeholder outreach calls. This report focuses on the feedback received from conference calls with FICUs, core vendors, and offline vendors.

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<sup>4</sup> The NCUA posted a summary report of all written comments at <https://www.ncua.gov/About/Documents/enterprise-solution-modernization/rfi-summary-report.pdf>.



## Stakeholder Outreach Background

In February and March 2018, the agency conducted stakeholder outreach calls with FICUs, core vendors, and offline vendors to gain insight and discuss potential concerns regarding the proposed expansion and standardization of electronic loan, deposit, and investment data collected during NCUA examinations. The table below summarizes the stakeholder participants on these calls.

Stakeholder	Number of Participants
FICUs	15
Core Vendors	5
Offline Vendors	5
<b>Total:</b>	<b>25</b>

## Credit Union Outreach

The FICU participants included various asset sizes using a variety of core data processing vendors. The table below provides an overview of the participating FICUs by asset size.

FICU Asset Size	Number of Participants
Less than \$100 Million	3
\$100 - \$500 Million	4
\$500 Million - \$1 Billion	2
Over \$1 Billion <sup>5</sup>	6
<b>Total:</b>	<b>15</b>

In response to the outreach effort, FICUs provided 186 separate comments that we categorized into the following general topic areas.

Topic Name	Comments	Percentage of Total
RFI Proposal Clarity	25	14%
Expanded Data Field Feedback	28	15%
Vendor Coordination and Reliance	24	13%
Cost, Resources, and Timeline	37	20%
Data Security	34	18%

<sup>5</sup> Includes two FICU participation loan seller/servicers.



Disparity Among Credit Union Asset Groups	10	5%
Other Feedback	28	15%
<b>Total:</b>	<b>186</b>	<b>100%</b>

## RFI Proposal Clarity

While many FICUs indicated they understood the need for the agency to collect additional data fields, respondents questioned the size of the proposed data field list, the specific need and use for the expanded data, the required data format, and overall safety and soundness basis for the initiative.

Respondents questioned whether FICUs would be expected to consolidate relevant data sources or how the NCUA would be able to effectively consolidate separate data files. Respondents also noted the proposed data field list includes personally identifiable information (PII), and requested justification for gathering PII.

## Expanded Data Field Feedback

FICUs had varying perspectives on the RFI's proposed data field list.

Seven respondents noted support for the continued use of “critical” and “optional” fields. However, three respondents stated that FICUs are unlikely to make any concerted effort to provide optional fields, which may be counterproductive from a standardization perspective.

Most credit union respondents had concerns with the disperse nature of loan data sources, indicating the proposed RFI loan data fields are split among the core vendor, multiple offline vendors systems, and third party data sources. These various systems generally do not interface and would require integration in order to create a single data set with all requested loan data fields. In response to this concern and as outlined in the RFI, the NCUA clarified during the calls we would be willing to accept separate data files from multiple sources, easing the burden on credit unions and vendors to address this type of data integration issue.

Over half of the respondent FICUs indicated at least some of the fields in the proposed data set may not be stored in their system in an easily exportable or query-ready format. Respondents provided examples of loan fields they currently may not collect per credit union policy and procedure, and examples of fields collected but not stored in a manner that would easily allow for a data export. Examples include information stored in system “note” fields, underwriting criteria stored in digital documents, and data stored only in manual files.

Respondents noted standardizing their data sets to comply with the proposed requirements would not only require system modification, but also changes to credit union processes. All respondents asked the agency to consider a forward-looking approach to any required data collection initiative. Respondents stated retroactive



collection of data could be very challenging for older products as well as those obtained through credit union mergers. They also highlighted concerns given their third party data availability and changing policies on data points captured on each account over time.

Several FICUs questioned the granularity of data requested in the commercial loan area. They commonly noted limited data standardization with manual tracking and reporting of commercial loans data. This is due to both system limitations and credit union policy.

### **Vendor Coordination and Reliance**

By far, the most voiced concern by the FICUs contacted was vendor reliance to implement data system changes. Regardless of size, every credit union participant indicated compliance with this proposal hinges on their data processing vendors' willingness and ability to implement required system changes.

Vendor system limitations drive the type and amount of data FICUs capture and review internally. To ease the burden on FICUs, six participants suggested the agency coordinate compliance requirements with appropriate industry vendors. One participant stated that vendors would be more likely to comply if the changes were a regulatory requirement.

During the outreach, it was evident that select large credit union participants have the necessary data management infrastructure, business intelligence, and data warehousing software enabling quicker compliance with this proposal. However, these FICUs still stressed concern over each vendor, both core and offline, being able to provide each data field consistently and without the need for manual data cleanup. Mid-size and smaller FICUs were more likely to find the proposed dataset burdensome.

### **Cost, Resources, and Timeline**

FICUs voiced some concern over potential labor and vendor cost implications from the implementation of the expanded data field set. Most respondents stated there would be labor costs associated with amending policies and implementing staff training, at a minimum. All respondents voiced some level of concern with the labor cost and time burden associated with the expanded data list if retroactive data collection is required. FICUs with data management programs and internal reporting infrastructure noted labor costs associated with mapping the schema, creating reports, and ensuring quality control in implementing the change.

With few exceptions, FICUs noted their core vendor agreements permit the implementation of regulatory compliance changes at no cost to the credit union. However, some voiced concern that core vendors may renegotiate existing agreements or find other ways to pass related costs onto FICUs.



FICUs had less specificity over how offline vendors may respond to this proposal. Respondents noted some offline vendors generally charge a nominal fee for standard reports and higher fees for custom reports. All FICUs noted some level of change was needed in offline vendor reporting, ranging from minimal to significant, but did not estimate the potential costs to their credit union.

When asked about projected implementation timelines, each credit union prefaced their response by noting reliance on their vendor's timeline to roll out needed system changes. Five FICUs stated they could likely implement the proposal in less than a year with five others estimating one to two years. Eight FICUs believe they could comply with the expanded data request if provided sufficient lead time. Two FICUs indicated that a longer lead time could result in lower implementation costs as vendors could schedule necessary system changes during available programming time.

Several FICUs recommended some variant of a phased-in implementation timeline. Recommendations included breaking the implementation into stages based on data section (loan, investment, and deposit) or a staggered approach (implementing a baseline data set, then an expanded data set).

## Data Security

FICUs voiced significant concern with data security controls related to this initiative considering the amount of member information that would be collected. Nine FICUs requested that data security be the NCUA's top priority.

Ten FICUs requested greater transparency over the agency's data security controls. Specifically, FICUs requested more information on data storage, retention timelines, use of the data post exam, commingling of credit union data, third party uses or agency data sharing, breach notification and liability expectations, destruction of data, and third-party testing of the NCUA's data security controls.

The highest level of concern was expressed over the amount of PII in the proposed data field list.<sup>6</sup> Seven FICUs requested removal of PII from any finalized field list noting FICUs would bear the reputational risk should NCUA experience a system breach exposing credit union member information. Several commenters raised concern with this data set being stored on NCUA laptops and would prefer the data rest in a secure location. Most FICUs noted a secure file transfer portal would improve their comfort level regarding transmission of sensitive member data to the NCUA.

## Disparity Among Credit Union Asset Groups

Similar to feedback contained in the RFI comment letters, seven FICUs would like the

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<sup>6</sup> Note: The proposed data field list does not contain any new PII fields beyond what FICUs currently provide to the agency.



NCUA to be cognizant of small FICUs when making any final decision regarding expanding data field requirements. Limited staff and resources could be a significant hurdle for these institutions as they strive to comply with new standardized data sets. Suggestions included limiting the number of required data fields based on the complexity or risk of the institution, or only requiring the additional data automated in the vendor system as ways to reduce this burden.

One participant stressed the need to collect this detailed level of loan, investment, and deposit data only at large institutions given their concentration of total risk to the NCUSIF. Two small credit union participants indicated they are highly reliant on their vendors to implement regulatory compliance changes. As a result, vendor reliance, specifically for small FICUs, is a material consideration.

One respondent indicated some large FICUs may already be coordinating with their vendors to consolidate this data as part of their data management, warehousing, and reporting programs. As a result, implementing this proposal may be less burdensome on those institutions. However, not all large FICUs participating in this outreach had a data management program in place.

### Other Feedback

Four FICUs noted potential benefits from implementing this proposal. This included improved ability to effectively trend the data and compare credit union trends to peer and industry averages.

Seven participants strictly use the current AIRES share and loan download for examinations while eight use this export for purposes beyond the examination. FICUs indicate they commonly provide this export to their external auditors or ALM model provider. Two respondents also noted that the data collection initiative may have value as they develop internal data sets and methodologies to comply with the forthcoming CECL requirements. Further, a few commenters noted there may be value in using the expanded data set to support agency call report entries and urged the agency to consider using the data extracts to automatically populate the loan, share, and investment sections of the 5300 Call Report.

One FICU was hopeful the NCUA examination process will not become overly remote as a result of efficiencies gained from an expanded data collection effort. Two FICUs were skeptical the NCUA would be able to reduce examination time if this proposal was implemented.



## Vendor Outreach

Since any data standardization effort would require close coordination between FICUs and their core and offline data processing system vendors, the agency contacted twenty service providers including publicly traded companies, private companies, and credit union service organizations (CUSOs) to discuss the RFI.<sup>7</sup> Ultimately, ten data processing vendors - five core and five offline - agreed to participate in the outreach calls.

The five core vendors participating in calls collectively serve approximately 4,000 FICUs, or over sixty-five percent of the credit union industry. The five offline vendors, in combination, serve over 5,500 credit union clients. Participating offline vendors we spoke with offer the following products and services:

- Mortgage Origination and Servicing
- Credit Card Servicing
- Student Loan Origination and Servicing
- Investment and Non-Member Deposit Brokering
- Commercial Loan Origination and Servicing

During the outreach effort, vendors provided 115 different comments. We categorized those comments into the following general topic areas.

Topic Name	Comments	Percentage of Total
RFI Proposal Clarity	29	25%
Implementation Challenges	39	34%
Implementation Timeframes	10	9%
Cost and Resource Burden	15	13%
Data Security	4	3%
Other Feedback	18	16%
<b>Total</b>	<b>115</b>	<b>100%</b>

### RFI Proposal Clarity

Most vendors we spoke with had concern with the level of detail in the RFI proposed data field list. Several commenters noted data nomenclature differences were prevalent in the industry and expressed concern with the potential for disparate client interpretation. As an example, several noted that the code names, data captured, and storage time period for transaction activity fields would be unique to their platforms. This may cause interpretation issues when attempting to capture and standardize data.

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<sup>7</sup> Vendor coordination and reliance was identified as a key component of success in the RFI written responses.



Vendors requested the agency provide expanded and definitive descriptions for all requested fields, examples of the type of data requested, and where appropriate, business rules.

All vendors voiced some level of concern the RFI lacked clarity regarding the data field storage expectations applicable to their core or offline platform. Many were unclear if all fields should be in the core data processing system, whether offline data processing vendors would be required to expand their data field set to include all relevant fields, and how offline vendor data sets should relate to core system data sets.

Several commenters requested added transparency on the agency's use of the data, including a use-based justification for all required data fields. They also requested justification this expanded data collection initiative will provide value in protecting the NCUSIF. One core vendor was specifically interested in using the expanded data set to integrate exam preparation tools into their software as a client benefit and inquired about the agency's methods for analysis of the data as a result.

## Implementation Challenges

Every participating vendor indicated adding required fields not currently captured would be a complex and time consuming process. Respondents noted new fields would first need to be added to the database field set and then integrated with different user interfaces, coding modules, and reports. Respondents also indicated not all fields exhibit equal burden as some require more complex programming or have relationships to other parts of the system platform.

Core vendors indicated some of the proposed data fields outlined in the RFI are displayed in the software's graphical user interface, but may not be stored in a format that allows for export. Examples include calculated fields, long form text fields<sup>8</sup>, and stored documents<sup>9</sup>.

Offline vendors also expressed concern that some of the proposed fields for their specific service type may not be appropriate to capture outside of the credit union's core data processing system. For example, many offline servicers do not track specific fields like *branch code* and *loan officer*. One offline vendor indicated requiring duplicative data be held between core and offline systems may be a burden on FICUs, especially small ones. Should this initiative move forward, vendors prefer the agency provide clear direction on the specific data field sets that are required for each product type.

Lending vendors also noted concern with loan-level data often not housed in one location, but split between loan origination systems and servicing systems. As a result,

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<sup>8</sup> Examples include "notes" fields.

<sup>9</sup> Examples include PDF formatted documents, like credit reports.



the agency needs to define how two separate loan-level data sources would relate to each other so separate loan exports could be used to produce one individual loan data set or clarify expectations for accepting multiple data files.

Several of the participating core vendors service multiple data processing system platforms. Each platform would require separate coding, amplifying the burden on the vendor to implement mandatory changes; however, four vendors were pleased to hear the NCUA would be willing to accept separate data files from multiple sources. Three offline vendors, who normally do not provide a usable AIREs data export to their client FICUs, indicated changing standard reports or adding fields would require proprietary system changes, compounding their time and cost burden.

Like FICUs, most vendors asked for a forward-looking approach to data collection to offset the implementation burden. They indicated retroactive data collection of all mandatory fields would be labor intensive and require substantial time to accomplish. Additionally, several vendors also recommended the agency establish an asset size threshold for credit union compliance. They suggested allowing flexibility, such as accepting a limited data export, for the industry's smallest institutions as a way to reduce this potential stress point.

### **Implementation Timeframes**

Vendors involved in this outreach effort provided varying estimates regarding the time needed to build, test, and finalize platform changes to meet the proposed data collection standards outlined in the RFI. Estimates ranged from less than a year to approximately 30 months. However, most respondents considered this a rough estimate, and several indicated they would need a more concrete final proposal before providing a definitive implementation timeline.

Several respondents suggested allowing time for FICUs to acclimate to the new field requirements prior to making any changes mandatory. Additionally, they saw value in the agency using a staggered implementation approach based on export type (i.e. loan, investment, and deposits) and indicated this approach would be less burdensome and easier for both vendors and FICUs.

### **Cost and Resource Burden**

Nine out of the ten vendors interviewed believed complying with the data standards outlined in the proposal would result in a significant cost burden.

Providers were split on whether they could absorb implementation costs or would need to pass those costs to client FICUs. More specifically, two core vendors indicated there could be a downstream cost to client FICUs for this change, while the rest indicated they do not pass implementation costs associated with regulatory requirements onto their clients. Three offline vendors indicated there could be a cost to their client FICUs for this change, but did not foresee the amount being significant.



## Data Security

Offline vendors were apprehensive about the PII contained in the proposed data field list. Vendors requested enhanced transparency on the data security controls the NCUA intends to use when handling this sensitive member data.

One commenter suggested the agency provide a hold harmless agreement regarding breaches as an assurance to industry stakeholders. A separate commenter noted PII, such as *MemberID* and *SSN*, were intentionally not retained by the vendor, or retained only in an encrypted format, respectively.

## Other Feedback

Vendors appreciated the agency's outreach efforts and encouraged continued conversations with the industry and key data processing service providers due to the potential magnitude of this change. One vendor suggested using outreach calls as the best method to obtain direct feedback from vendors since the two-way dialogue allows the opportunity to resolve differences in interpretation and ensure a smoother implementation of a final rule.

One offline vendor agreed the expanded data set may provide for a more robust portfolio level analysis for their clients. Another vendor recognized data standardization in the industry as a positive development.

## Conclusions

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Generally, FICUs and vendors shared concerns regarding data security, the need for more clarity regarding the proposed data field list included in the RFI, and implementation challenges both the NCUA and the industry may face with an expanded and standardized data collection.

FICUs, core vendors, and offline vendors all appreciated the agency's approach to outreach and enjoyed having the ability to provide feedback. Commenters recommended the agency continue this approach and provide further outreach should this proposal move forward.

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