



March 30, 2018

Mary Thor
National Credit Union Administration
Office of Examination and Insurance
1775 Duke Street
Alexandria, VA 22314-3428

RE: Modernizing Data Collection for Supervision of Credit Unions

Dear Ms. Thor:

On behalf of Mission Federal Credit Union (MFCU), I am writing in regard to the National Credit Union Administration's (NCUA) Request for Information (RFI) on the modernization of its data collection and supervisory processes through the proposed amendments to the Call Report and Profile forms and instructions. Thank you for providing us the opportunity to provide additional feedback as we feel a collaborative approach to such changes is in the best interest of all parties and will result in a more comprehensive and suitable final product.

Proposed Changes

MFCU is supportive of the structural changes to the Call Report format. The overall reduction of line item reporting is a step in the right direction and will lessen the burden on reporting institutions while maintaining the integrity and underlying purposes served by the Call Report as a whole. In particular, we believe the flow of the supporting schedules in the proposed Call Report to be more intuitive and user-friendly. Under the current format, MFCU has been challenged with footing the contents of Schedules A and B to the financial statement pages within the Call Report, so this change will ease this concern.

Additionally, the removal of obsolete and unnecessary reporting data points will relieve some of the burden associated with data tracking and collection. This is especially relevant to the elimination of certain delinquency, charge-off, and recovery reporting in the proposed Call Report. While we have built custom programming to support the aggregation of this data, it is still a strain on resources for MFCU.

MFCU also appreciates the removal of the detailed section related to troubled debt restructured (TDR) loans in conjunction with the implementation of ASU 326 – Financial Instruments – Credit Losses (CECL). This is a positive change that creates greater clarity with respect to complying with the new CECL standard.

EXECUTIVE

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Lastly, the significant reduction in derivatives reporting is very encouraging. While MFCU does not presently have any reporting in this space, having just received NCUA approval for derivatives trading, we are pleased to see the reporting requirement decrease from five pages to just one, while still providing adequate data points to ensure safety and soundness monitoring by NCUA.

Additional Recommendations

While the proposed changes are certainly significant and a step in the right direction, MFCU would like to propose a couple additional recommendations for consideration.

The NCUA should consider changing the approach and/or instructions for reporting first draws in a calendar year on revolving credit lines as new loans, regardless of the actual date of origination. It is unclear why the NCUA insists that credit unions count an existing line of credit as a new loan if one or more advances were made on that line year-to-date. This approach may mislead call report users on actual activity and/or new loan production, and the instructions are ambiguous and inconsistently applied within different sections (for example, see New Loans Granted YTD, page 62 vs. LOCs associated with 1-4 Family, page 75). Reviewing peer data, there is inconsistency as to how this is being reported by various credit unions, as some credit unions report a substantially higher number of new loans in the first quarter, likely representing first advances, while others do not.

As a more specific point on this issue, the instructions related to Loans Granted Year-to-Date (Schedule FC-E, Line 15) state “For the number of loans, count each line of credit as a single loan granted if one or more advances were made on that line year-to-date, even if it is an existing line of credit approved in a previous year.” MFCU would appreciate greater clarity on this point since the instructions do not specify whether we are to count it as a new loan 1) on the very first advance; or 2) the first advance taken in any year, regardless of advances taken in prior years.

Additionally, the \$50,000 reporting threshold for member business loans or commercial loans to a single member is exceptionally cumbersome to track. Under the current and proposed Call Report, credit unions must monitor aggregate balances that may exceed this threshold in one reporting period only to drop below the threshold in a subsequent reporting period, and vice versa. Because of system limitations and the complex loan affiliations that members may have (i.e. primary borrowers, owners, guarantors, etc. on business loans), this reporting is complex and requires labor-intensive processes to monitor and report accurately each reporting cycle. There is little value gained in this reporting for the amount of time and effort it takes to accurately report. Eliminating the \$50,000 threshold will make reporting much easier, without compromising the integrity and intent of the underlying data.

Finally, we would request that the NCUA allow sufficient time for institutions to make the adjustments necessary to properly reflect the revisions. MFCU and many other credit unions have automated the reporting for numerous fields, so significant internal changes will be required to deconstruct the old automation and build new processes. From our perspective, a one-year phase in would be reasonable to accommodate the variety of different approaches, systems, and processes utilized by credit unions and third-party vendors who provide support for some of the entries.

Conclusion

MFCU is greatly appreciative of the NCUA's efforts to reduce the reporting burden to credit unions. The Call Report is a powerful tool designed to address multiple purposes for credit unions and the NCUA alike. We support regular updates and improvements to the Call Report as credit unions continue to evolve and mature. Thank you again for the opportunity to provide feedback on this RFI. Please feel free to contact me directly should you have any questions or concerns.

Sincerely,



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cc: Debra Schwartz, CEO, Mission Federal Credit Union