

April 2, 2018

Ms. Mary Thor
Risk Management Officer
National Credit Union Administration
Office of Examination and Insurance
1775 Duke Street
Alexandria, VA 22314

[Delivered Electronically](#)

Subject: Call Report Modernization

Dear Ms. Thor,

On Wednesday, January 31, 2018, the National Credit Union Administration (NCUA) issued a request for information on a draft modernized call report and profile. The draft call report is the result of significant stakeholder input over the last two years. The request for information asks eight questions of which the Association identified four to address.

The Northwest Credit Union Association (The Association) would like to thank the NCUA for working with stakeholders to modernize call reports and profiles. This effort is important to a rapidly evolving credit union landscape which requires the NCUA to regularly review and update data collection related to supervision.

On behalf of more than 150 credit unions and their 6.5 million members, The Association is pleased to be able to offer our support for call report modernization and would like to express our appreciation for the inclusive process that the NCUA is employing.

To assist the NCUA in their effort to create a modern capital system we sought input from our members through several different avenues including our NWCUA Regulatory Advisory Subcommittee.

Background

Most of the Northwest credit unions that shared thoughts about the NCUA's call report modernization project were supportive. The support is based on better data and analytics and eased onsite examination burden. Nearly all credit unions identified significant hurdles related to implementation time, operational challenges, and an increased reporting burden over the short term. The Associations Regulatory Advisory Committee identified several improvements that could help ease the transition and regulatory burden.

Do the Changes Make Sense

The Association is generally very supportive of the proposed changes and the reduction in overall account codes. A couple of specific examples of proposed changes that will improve reporting efficiencies include TDR's summarized to amount and number instead of amount and number across loan types, the delinquency report summarization makes a lot more sense, and the general lay out is a lot more user friendly. In addition, we hope to see self-aggregating account codes where the underlying fields automatically populate totals.

Reduction in Regulatory Reporting

Nearly every credit union represented on the Associations Regulatory Advisory Committee indicated that they are familiar with the current call report and have developed an operational rhythm to gathering the necessary information. In addition, some credit unions expressed concern that the changes could adversely impact exams. The consensus was that the proposed changes to the call report will add significantly more regulatory burden over the first few years following adoption. The Regulatory Advisory Committee identified potential actions that the NCUA could take to ease the reporting burden.

1. Provide call report deadline extension and suspend civil money penalties for missing the deadlines for the first four quarters following implementation. Credit unions felt that accurately anticipating the time it will take to fill out the new call report will be difficult until they have gotten used to filing.
2. Provide a call report hotline. NW credit unions felt much of the regulatory burden could be offset with a well-staffed and trained call center to assist with questions on filing and filling out the new call reports. Making sure that instructions are comprehensive particularly for risk-based capital fields, CECL related fields, and for credit unions that operate with state based MBL rules that are different than the federal rules.
3. We also suggest providing \$2,500 CDRLF grant opportunity that could be used to hire consulting staff to train key personnel on filling out the new reports or to offset costs that third-party data aggregators pass on to the credit unions. In addition, the Association recommends deploying the remaining economic development specialists to assist small credit unions with call report filing. Several very small credit unions have between 1 and 3 employees and are without the capacity to quickly adapt to significant call report changes.

Operational challenges

The Association would encourage the NCUA to stagger the call report account code changes. We recommend a tiered system:

1. Tier 1 - Include account codes that are based on readily available data points that most credit unions already monitor.
2. Tier 2 - Include account codes that are aggregated by third parties, investment account codes were specifically identified by a number of credit unions as information that was gathered by vendors who may need to update their systems.
3. Tier 3 - The third tier are account codes that are completely new and will require credit unions to make investments which include the RBC account codes and CECL account codes. These account codes should not be added until 6 months prior to the effective date of the regulations going into place.

By staggering the implementation credit unions felt that the overall burden would be reduced.

The Association represents three states two of which have NCUA approved state MBL rules and one that has its own MBL rule for privately insured credit unions. It is critical that states that have their own MBL rules have account codes that reflect their state rules. We would encourage the NCUA to work closely with prudential regulators to ensure that account codes are maintained for states that have substantially different commercial lending regulations.

Lead Time

The Association recommends that the NCUA give credit unions a minimum of 6 months lead time following finalization of call report changes. We recommend a minimum of 9 months for investment account code changes and a minimum of one year for RBC and CECL account code changes.

Conclusion

In conclusion, The Association appreciates the NCUA's commitment to improving the regulatory landscape for credit unions. Thank you again for the opportunity to comment on this issue. We would be pleased to answer any questions that you may have.

We believe that modernizing the call report will support better data analysis, improve exam efficiency, and in the long run save time as account codes have been reduced overall.

Respectfully,

A handwritten signature in black ink that reads "John Trull". The signature is written in a cursive style with a large, stylized 'J' and 'T'.

John Trull
AVP, Regulatory Advocacy
Northwest Credit Union Association