



# NCUA

National Credit Union Administration

Electronic Loan, Deposit, and Investment  
Data Collection  
External Stakeholder Feedback

---

March 16, 2018

[This page intentionally left blank]





## Electronic Loan, Deposit, and Investment Data Collection: External Stakeholder Feedback • 2018

---

### Table of Contents

---

Overview and Objectives .....	2
RFI Questions.....	3
Respondents .....	4
Summary of Responses .....	4
• Comments by Topics (Table 1) .....	5
• Standardization .....	5
• Implementation Timeframe .....	5-6
• Data Availability .....	6
• Number of Data Fields .....	6-7
• Cost and Resource Burden .....	7
• Vendor Concerns .....	7-8
• Data Security .....	8
• Other Comments and Recommendations .....	8
Conclusion.....	9

---



## Overview and Objectives

---

The National Credit Union Administration’s 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, NCUA Board meeting, 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 burdens on FICUs—including less time examiners spend onsite—improved data reliability and quality, and better data for enhanced analytics.

Examiners obtain electronic data at the beginning of every examination, during some supervision contacts, and on an ad hoc basis from credit unions. This raw data, sometimes from multiple sources and in multiple data files, provides examiners with essential information for evaluating credit and deposit risks in FICUs. This evaluation process is integral to risk identification, supervision, 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 in April 2003. Since then, FICUs have grown larger and more complex and the data requested from federally insured credit unions (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

---

<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> See [Letter to Credit Unions 03-CU-05 - Expanded AIREs Loan and Share Record Layout Specifications](#) dated April 2003.

<sup>3</sup> [Federal Register Notice: Electronic Loan, Deposit, and Investment Data Collection](#)



comment period for the RFI closed January 2, 2018. The following report focuses on the input received from stakeholders who responded to the RFI.

---

## RFI Questions

---

The RFI posed the following twelve questions and provided a list of the potential data fields for comment:

1. For the products you offer, are there any example data fields listed in this RFI that cannot be reasonably provided electronically? What other data fields could be provided that the NCUA should consider collecting electronically?
2. For electronic data, what file formats (e.g., Microsoft Excel, CSV, etc.) are available?
3. If a FICU cannot provide data electronically, to what extent is the limitation due to the IT systems (e.g., the field is not available in the IT system to be captured electronically)? To what extent is the limitation because a credit union is not electronically collecting the data now (e.g., loan underwriting information captured in the loan file, such as a calculated debt to income ratio, but is not stored in an IT system that can capture that data)?
4. What is the number of vendors, systems, or service providers the FICU uses for loans (all types), deposits, and investments you currently can or would extract data for examination purposes? Specifically, how many are used for each category (e.g., loans, deposits, and investments)?
5. To what extent does the FICU rely on a third party vendor to create and produce raw data downloads? Does the vendor provide the credit union with the flexibility to self-customize reporting for data attributes?
6. What are the technological challenges the NCUA should consider with a standardized data format (e.g., specific file names, format, etc.)?
7. What additional initial and annual costs would you estimate a FICU could incur to generate and provide data electronically in a standard format (e.g., pass through costs from vendors, in-house development resources, etc.)?



8. Does the credit union or vendor have the ability to retain and create the current loan and share download data format (with no changes) as well as new download data formats?
9. Should the NCUA eliminate the “critical” and “optional” data categorizations discussed in NCUA Letter to Credit Unions 03-CU-05? If yes, what approaches would you propose the NCUA use to collect standardized data for better analytics and examination efficiencies?
10. With the exception of the example data formats based on data type discussed in this RFI, what alternatives would you propose for the NCUA to collect data in a standardized format that minimizes the credit union burden?
11. What implementation strategies and timeline should the NCUA consider with this modernization? For example, what is the anticipated timeframe for a FICU or vendor to provide the sample data fields and the associated format? How should the NCUA ensure FICUs use the standard data format?
12. What specific information security controls or assurances are expected from the NCUA to reasonably safeguard the electronic loan, share, and investment data?

## Respondents

In general, external stakeholders were pleased to have an opportunity to comment and supported the agency’s examination modernization efforts. The Board received eleven letters from stakeholders with 115 individual comments and recommendations.

Name of Stakeholder Group	Respondents
Credit Unions	5
Industry Trade and League Groups	5
Vendors	0
State Regulators	1



## Summary of Responses

The NCUA categorized the 115 comments into seven general topic areas. The table below details these topics and this report expands on those specific areas.

**Table 1: Comments by Topic**

Topic Name	Comments	Percentage of Total
Standardization	6	5%
Implementation Timeframes	11	10%
Data Availability	9	8%
Number of Data Fields	19	16%
Cost and Resource Burden	21	18%
Vendor Coordination, Timeliness, and Reliability	18	16%
Data Security	5	4%
Other Concerns	26	23%
<b>Total</b>	<b>115</b>	<b>100%</b>

### Standardization

Six stakeholders identified the standard or “one size fits all” approach as a challenge for credit union implementation. Stakeholders frequently noted the potential for a disparate impact on small credit unions regarding costs, compliance, and vendor responsiveness. Smaller credit unions generally lack the economies of scale, staffing, and negotiating position with vendors to implement this change without negatively impacting operations.

Stakeholders included various recommendations addressing this topic, including:

- Aligning the burden of implementation with the credit union’s asset size, complexity, or risk profile;
- Exempting smaller credit unions;
- Reducing the number of total and mandatory fields; and
- Customizing the fields required from each credit union based on their risk profile and responses to standardized (choose your own path) questions.

### Implementation Time Frame

Seven letters voiced concern over how long the NCUA would allow the industry to implement the proposed changes. Commenters noted historical challenges and prolonged lead times for vendors to implement required system modifications. This concern was compounded by the amount of vendors involved with their operations who



would need to meet these new requirements.

Stakeholders suggested an implementation timeframe ranging from eighteen months to multiple years. Four commenters specifically requested a phased-in approach with a commitment from the NCUA to a “hold harmless” period, which would allow time for credit unions to add new data fields and test systems prior to full implementation.

## Data Availability

The availability of the data in the proposed RFI field list was identified as an implementation challenge in nine stakeholder letters. Their concerns focused on data capture, storage, and uniformity.

Stakeholders regularly noted retroactive compliance with the proposed RFI data field list would be a significant resource burden. Specifically, the proposed data may not be stored electronically in the desired format under current or former credit union policy and significant effort would be required to extract from existing sources and format using the standard fields proposed in the RFI. As a result, commenters generally recommended any change be forward looking, not require the retroactive capture of data, and include extended implementation timeframes.

Several commenters requested more detailed narrative descriptions of each field. Since credit unions and vendors have varying naming conventions and storage methods, this additional information would be necessary to achieve the standardization intended in the RFI.

## Number of Data Fields

The RFI included a list of potential data fields for loans, shares, and investments.<sup>4</sup> Ten of the eleven commenters provided input on the number of data fields. Of these commenters, four provided specific input on individual fields while the others had a negative comment related to the overall number of fields.

Commenters believed the list of fields is beyond what is needed for an effective examination. Four stakeholders identified 19 fields they felt were either unnecessary or overly burdensome to provide. Two commenters requested the NCUA consider using the Federal Financial Institutions Examination Council (FFIEC) data format used by banking regulators. One commenter suggested adding two fields to the proposed deposit data export which would allow for better analytics.

Four stakeholders requested support to ensure all proposed fields included in the RFI are necessary and would yield benefits that offset the increased burden of providing all fields. Commenters recommended the agency complete a cost-benefit analysis for each

---

<sup>4</sup> These include 9 member profile, 18 deposit, 120 loan, and 12 investment unique data fields.



field to support their necessity. They also agreed there must be a clear distinction between obligatory and optional data fields. Generally, remarks favored limiting the number of required fields, making most fields optional.

## Cost and Resource Burden

Many commenters identified cost and resource burden as a major implementation challenge and generally agreed on the following contributing factors:

- Vendor platforms may require modification to capture proposed data fields not currently captured to provide an expanded data extract file. There was concern related costs would be passed on to credit unions;
- Credit unions may need to hire staff to capture data, monitor systems for compliance, manage vendor relationships, and administer appropriate data security controls; and
- Credit union staff may need training on any new process or policy change.

Stakeholders recommended reducing the RFI field list size, making fields optional, and exempting or phasing-in compliance for smaller credit unions to reduce the overall cost and resource burden.

Six stakeholders were concerned with the possibility of substantial costs to integrate data from various vendors into one data extract file. However, the RFI does note that credit unions would be permitted to submit multiple electronic data files from different sources for loans, deposits, and investments, as needed.

One commenter, a smaller institution, submitted an estimated cost to implement the proposed changes. They estimate an initial set-up cost of up to \$2,000 and annual costs of up to \$1,000. Remaining commenters only stated the proposal would be a cost and resource burden, but did not provide dollar or time estimates.

## Vendor Concerns

Vendor timeliness and coordination was a concern addressed in nine of the stakeholder letters. Most credit unions are highly reliant on vendors for data processing and information warehousing, and would be heavily reliant on these vendors to implement the proposed changes.

Several commenters relayed concern with the performance of data processing vendors on recent upgrades intended to address changes to regulatory requirements. These commenters experienced extended timeframes and numerous revisions before receiving a stable and operational final product. One stakeholder indicated core upgrades took as long as three years before stable operational use. Several noted vendors have no regulatory obligation to successfully implement these changes in a timely manner or properly service these requirements over time.



Four commenters stressed the need for using an open source file format to compile the proposed data fields. Suggestions revolved around the “csv” file format as this would eliminate potential licensing costs and currently works with most vendor applications.

## Data Security

Three respondents voiced concern over data security requesting increased transparency on the NCUA’s data security controls and adherence to a higher level of data security than described in the RFI. More specifically, commenters requested transparency on the following:

- The rating of the information and information systems;
- Standards the NCUA holds contractors or third party vendors with access to this data and the NCUA’s liability when using these parties;
- Data retention periods; and
- Implications of the Freedom of Information Act with regard to this data.

Additionally, commenters stressed the need for effective security protocols that isolate and avoid commingling of credit union data, and requested the NCUA absorb the burden of establishing a secure end-to-end file transfer process.

## Other Comments and Recommendations

Beyond comments related to this RFI, stakeholders offered recommendations on further outreach, as well as alternatives for a more efficient exam process. Commenters supported the NCUA conducting calls with stakeholders to solicit additional feedback. Some recommended State Supervisory Authority (SSA) engagement and posed interest in their potential use and treatment of the proposed expanded data fields. Further, respondents requested transparency on the status and subsequent steps of this RFI.

Some commenters voiced skepticism the expanded data collection would meet the NCUA’s objectives of increased exam efficiencies and reduced on-site time. Several noted this initiative appears counter to the NCUA’s Regulatory Modernization Efforts and Exam Flexibility Initiative.

Other comments included the following exam efficiency recommendations as an alternative to this proposal:

- Implementation of a Secure File Transfer Portal to increase off-site exam work;
- Support for piloting an exam program with more off-site work; and
- Greater reliance on SSA examination and supervision programs.



## Conclusion

---

Overall, feedback from external stakeholders supported the NCUA’s modernization initiatives to enhance safety and soundness supervision practices, but cautioned the agency regarding the potential cost and burden on the industry. Commenters stressed the need for the NCUA to utilize enhanced data security, be cognizant of vendor coordination challenges, and implement a system based on the size and complexity of an institution rather than a one-size-fits-all approach. Stakeholders also took the opportunity to provide input on other examination related efforts such as a secure file transfer portal, increasing off-site examination work, and security transparency.

NCUA will continue to review the proposed expansion of data collection and will conduct outreach calls with credit unions, core vendors and offline vendors to gain further clarity on issues and concerns raised by the written comment letters.

---