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National Association of Federally-Insured Credit Unions

**B. Dan Berger**
President & Chief Executive Officer

November 12, 2021

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

**RE: Request for Extension of Call Report Changes**

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) I would like to urge the National Credit Union Administration (NCUA) to provide credit unions with more time to evaluate, respond to, and prepare for, significant changes to the NCUA's Call Report. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products. The changes proposed in the NCUA's notice in the Federal Register are plentiful, and the NCUA has not provided sufficient advanced communication to guarantee industry readiness. Furthermore, the NCUA's recent reference to call report changes in a minimally descriptive Paperwork Reduction Act (PRA) notice does not even include the full call report changes or link to reference documents.

The NCUA should extend the comment period for this proposal to provide credit unions sufficient time to understand, evaluate, and provide meaningful feedback on the impact of these changes. The NCUA should also postpone the effective date of the call report changes from March 2022 to January 2023 so that credit unions may adequately prepare for the impact to resources and staff. We hope that you will work with us to provide greater transparency and the ability for credit unions to maintain an open dialogue with the NCUA regarding changes that they will deal with daily, both internally and with their vendors.

**Background**

The NCUA first introduced plans to modernize its data collection processes during its May 2016 Board meeting. Later that year, the NCUA issued a request for information (RFI) to gather public input on the various data collected through the Call Report. NAFCU submitted comments at that time, noting support for removing obsolete data points and the reorganization of the sections to assist the NCUA in its performance of supervisory duties, but cautioned that NAFCU and its member credit unions did not support the Call Report as a means to capture or develop policy or market research. This led to a modernization effort in 2018. Since then, the NCUA has published minimal information about the changes or the timeline toward implementation.

On September 27, 2021, NCUA published a notice in the Federal Register regarding the Call Report. In its notice, the NCUA requested comment on changes to the Call Report that include the following: restructuring to streamline the report; retiring obsolete account codes; and accommodating the Risk-Based Capital (RBC) ratio calculation schedule, including adding a schedule for off-balance sheet exposures. The NCUA has requested comment on several factors, such as whether these changes are necessary, if the information will have practical utility, and ways to minimize the burden of the collection.

**Communication and Transparency**

In January 2021, the NCUA Board issued an RFI seeking comments on the agency's communication methods in an effort to increase transparency and promote efficiency. The RFI sought input on how the agency could minimize burdens associated with obtaining information on federal laws, regulations, policies, guidance, and other materials relevant to federally-insured credit unions. It would appear from the manner of publication and level of detail present in the current proposal, the NCUA has not put the feedback it received from that RFI into practice. The absence of meaningful and proactive communication from the NCUA in the lead up to this massive Call Report overhaul has left credit unions scrambling to understand the proposed changes and assess their impact on reporting processes. If the NCUA wishes to have open and transparent communication with credit unions, it must work much harder to ensure that credit unions have ample notice of substantial changes such as these.

To the extent that the NCUA expected credit unions to rely on the information posted on its website in 2018 to understand these changes, it is still difficult to comprehend why the NCUA would not send periodic reminders regarding the impending implementation date of the changes, similar to the agency's communications around the LIBOR's discontinuance.[1] Credit unions should not be forced to rush to implement Call Report changes that have remained a mostly dormant subject since they were introduced four years ago.

**Extension to Comment Period**

The proposed changes are significant in number and scope and will require additional time for credit unions to ascertain whether these changes are necessary, whether they will have practical utility, and in what ways the NCUA can minimize the burden on credit unions. The document cataloguing the proposed changes comprises 197 pages. These changes include hundreds of new codes which consist of, but are not limited to, data reporting on: total cash, cash equivalents, and other deposits; information about deposits the credit union has with other financial institutions; other services provided by money service businesses; loan loss information by different product type such as charge offs and year to date recoveries; payday alternative loans; non-federally

[1] *See* Letter to Credit Unions 21-CU-03, LIBOR Transition (May 2021); *see also* Letter to Credit Unions 21-CU-03, Interagency Statement on LIBOR Transition (October 2021).

guaranteed student loans; new and used vehicle loans; loan delinquencies by collateral type and dollar amount of delinquencies; number of indirect loans; interest income year to date by various loan type; and information about the credit union's borrowing relationships.

In total the proposed changes would include 614 changes categorized as new or new-replacement, meaning that the account code is new and intended to replace a retired account code. Additionally, the proposed changes would require the relocation of 389 account codes. Finally, the proposed changes would include the retirement of 667 account codes. Even though NAFCU supports efforts to update the efficiency and effectiveness of the Call Report, the simultaneous imposition of hundreds of additions, subtractions, and rearrangements of data points represents a massive alteration to the process of submitting Call Report data.

In order to fully prepare for these changes, credit unions will need a longer transition period to work with vendors and evaluate reporting processes beyond the comment deadline of November 26. During this time, credit unions will be able to better work with their staff and vendors to determine how long it will take to implement necessary operational changes. This additional time will also permit credit unions to provide more comprehensive feedback to the NCUA in relation to its PRA request along with additional input on measures that the NCUA can take to reduce the burden of these changes.

**Extension to Implementation**

Just as it will take credit unions time to understand these changes, it will also take credit unions additional time to implement them. The NCUA has indicated that it plans for these changes to be effective for the March 2022 Call Report. This effective date is simply too soon. To introduce any changes to credit union operations with only a six-month implementation period is burdensome. To introduce changes of this magnitude is impracticable. To worsen matters, this proposal was issued in late September, approximately two months before many third-party vendors update their core systems and many credit unions engage in strategic planning with their third-party vendors. Credit unions will therefore be forced to prioritize implementation of these changes in an extremely narrow window at a time when they can least afford to. Finally, the simultaneous wholesale reorganization of reporting processes of hundreds of credit unions will create a demand on vendors that could overwhelm their capacity to be responsive in a timely manner.

The NCUA should postpone the effective date of the proposed changes to January 2023. This will provide credit unions with sufficient time to work with their staff, third-party vendors, and core providers to properly implement the new account codes and provide the NCUA with the desired data. While NAFCU acknowledges that the proposed Call Report changes are necessary components of RBC implementation, we ask that the NCUA consider interim measures for assessing RBC compliance that leverage existing supervisory tools. A simplified method for demonstrating RBC compliance could also accommodate a more gradual transition to the new Call Report without overburdening credit unions with numerous account code changes in 2022.

**Conclusion**

NAFCU urges the NCUA to provide credit unions with sufficient time to evaluate, provide feedback, and implement these substantial changes. While NAFCU appreciates the NCUA's efforts to modernize its data collection activities, these efforts should be better communicated and should be conducted on a more regular basis. The NCUA should extend the comment period for this proposal and postpone the effective date of the changes to January 2023. Thank you for your consideration and we look forward to working with you to modernize the Call Report. If we can answer any questions or provide you with additional information on any of these issues, please do not hesitate to contact me or James Akin, NAFCU's Regulatory Affairs Counsel, at 703-615-5109 or jakin@nafcu.org.

Sincerely,

B. Dan Berger
President and CEO