August 15, 2016

Mark Vaughn
National Credit Union Association
Office of Examination and Insurance
1775 Duke Street
Alexandria, VA 22314

RE: Call Report/Profile Content Modernization
Summit Credit Union, Madison, Wisconsin - Charter #: 67190

Dear Mr. Vaughn:

Thank you for this opportunity to comment on NCUA's plans to redesign its data collection tools. We feel the current call report is overly burdensome for both credit unions and examiners. It requires credit unions to supply a significant amount of information that we believe is probably of little use to NCUA or credit unions, and the information is organized in ways that make supplying and interpreting the data more difficult than necessary.

We recognize that new regulations covering topics such as risk based capital and commercial lending require new data collection. Adding that information to the call report provides an excellent opportunity to remove current data elements that are unnecessary, and to reorganize the schedules to improve efficiency and compliance.

We have a number of specific recommendations regarding the call report's current format. They fall into two general categories:

1. NCUA and credit unions should periodically review which information is necessary. NCUA rarely removes questions from the call report. As described in other parts of this letter, much of the information on the current call report is of questionable value. NCUA and credit unions should have a regular cycle of discussions to determine:
    a. Is the information essential to regulation or supervision?
    b. How many credit unions report a material amount of the activity being measured?
    c. Would a "yes/no" question about whether a credit union engages in an activity suffice to trigger closer scrutiny during the examination process, without requiring every credit union to report an exact dollar figure every quarter?
2. Data should be organized to make compliance and quality control easier. The current format was built over many years, and lacks coherence. Many categories overlap, or use different charts of account in different parts of the call report, leading to complicated definitions and difficulty in quality control. The information about loan balances is especially disorganized. Wherever possible, schedules should use mutually exclusive categories that sum to easily identified totals.

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Following is a list of specific examples of improvements we believe should be made to the call report, organized by page numbers of the current form.

Page 1:

- Information on cash equivalents is of little value, given that remaining maturity matters more than original maturity, and other parts of the call report are based on remaining maturity.
- Accounts with no contractual maturity, such as capital accounts at corporate credit unions, should not be arbitrarily assigned to maturity categories.

Page 2:

- Loan interest rate information is of little value, given that there are many private sector sources that provide more detailed and timely information.
- The number of loans outstanding is of little or no value.
- Business/commercial loans need to be treated as separate categories within the loan schedule, rather than being spread across collateral types with all other loans.
- The questions about number and dollar of loans granted are difficult to measure and interpret, particularly for open-end lines of credit such as credit cards and home equity lines of credit, and for loans that renew periodically such as some business loans.

Page 3:

- There is little value in sorting borrowings by "draws against lines of credit" vs. "other…"
- There is little value in reporting dividend rate information, given that there are many private sector sources that provide more detailed and timely information
- There is little value in reporting the number of share accounts of various types.
- It is confusing and of little value to report the amount of IRA/Keogh accounts separately from the other, functional account types. (An IRA is either a certificate account or a savings account, and it's not obvious what purpose is served by splitting IRAs out as a separate line.)
- There is little value in reporting separate amounts for
  - government deposits
  - employee benefit member deposits
  - 529 plan deposits
  - non-dollar denominated deposits
  - health savings accounts
  - certificates greater than $100,000
  - IRA/Keogh accounts greater than $100,000
  - business share accounts

Page 4:

- There is little value in reporting so many subcategories of share & deposit balances that are insured vs uninsured.

Page 5:

- The distinction between "fee income" vs "other operating income" is confusing and little value.
- Having ten categories of operating expense leads to time wasted in trying to figure out how to classify the many expense categories credit unions find useful in their internal accounts. Simplifying to four or five broad categories would make the information more useful.
- There is little value in reporting transfers to regular reserves.

Page 6:

- There is no practical way to measure potential members for most credit unions.
- There is little value in reporting aggregate lease payments, how many members use our transactional web site, plans to add or expand facilities, or grants awarded and received.

Page 7:

- The delinquency schedule uses different loan categories from the loan schedule on page 2.
- There is little value in reporting the number of delinquent loans.

Page 8:

- The additional delinquency information schedule uses different loan categories from the other schedules. In particular, what is the value in requiring such specific categories as "interest only & payment option 1st mortgage loans"? Of having five separate categories of TDR loans, some of which overlap (such as "TDR loans secured by first mortgages" and "TDR RE loans also reported as business loans")? In order to simplify compliance and make the information useful for purposes such as calculating delinquency ratios, we need (1) account categories that are simpler to define and consistent across different sections of the call report, and (2) account categories that are mutually exclusive, so totals can be calculated for purposes of verifying accuracy.

Page 9:

- See comment regarding Page 8.
- There is little value in asking total loan balances of members filing bankruptcy, given that some of the members did not cause a loss to the credit union, and that chargeoffs due to bankruptcy are separately reported.
- There is little value in reporting the amount of real estate loans foreclosed.

Page 10:

- Rather than having two different sections for business loan unfunded commitments, there should be a single section with mutually exclusive categories that would help in verifying accuracy as well as relating the information on this schedule to information on other schedules.
- The total amount of borrowings is defined and measured differently for page 10 versus page 3, for no apparent reason.

Page 11:

- No questions/comments.

Page 12:

- No questions/comments.

Page 13:

- Three is little value in reporting point of sale vs outsourced relationship information separately.
- The reporting of loans granted YTD is overly complicated and of questionable value, particularly in the case of lines of credit. The instructions say, "Count each line of credit as a single loan granted if one or more advances were made on that line year-to-date. The dollar amount should include all new advances on the line of credit and all refinanced balances." For a home equity line of credit, we count only the first advance made during the year, but we report all dollars advanced during the year—this information is not useful.
- Reporting loan balances sorted by original term is of questionable value. A 30-year mortgage originated 16 years ago is reported in one category, while a 15-year mortgage originated 1 year ago is reported in a different category, but both have 14 years remaining to final maturity. A hybrid loan that was made 4 years ago and repricing after 6 years is reported in one category, while a loan made 2 years ago and repricing after 4 years is reported in a different category, but both will reprice 2 years from the reporting date.
- The detailed information about interest only and payment option loans is not useful, given that the loans could be residential home equity line of credit loans, or they could be business construction loans, or any number of different types of loans.
- The information on HECMs and other reverse mortgages is of little value.

Page 14:

- Reporting the amount of the allowance for all real estate loans is not useful, given the broad range of consumer and business real estate lending that credit unions do.
- Lines 17 and 18 of page 14, along with line 9 of page 15, are three examples of how much complexity is generated by having categories that are not mutually exclusive. The category "real estate loan" is not useful, if some questions include all real estate loans, others are specific to loans to consumers, and others are loans to businesses. The call report would be much simpler if loan schedules had one section for loans to consumers and one section for loans to businesses. Then each of those two sections could ask for a sorting of loans based on collateral.
- There is no apparent reason for line c to ask for loans sold that are not secured by real estate, rather than asking for total loans sold.
- In two different parts of Section 3, we report how much of our loan portfolio is our portion of loans on which we participated out other portions to other credit unions. There is little value in this.

Page 15:

- Reporting the number and dollar amount of loans granted on business lines of credit is difficult to comply with, and the results are difficult to interpret as businesses typically pay their credit card balances in full each month.
- Business loan participations sold are reported on both page 15 and page 14, for no apparent reason.
- The definitions used for RBNW are extremely difficult to comply with, and produce results that have no economic relevance:

  "If a member has $35,000 in business purpose loans and the credit union grants this member an additional $40,000 in business purpose loans, the credit union should report the additional $40,000 on lines 1a-j, as applicable, as a Member Business Loan. If the credit union has total assets exceeding $50,000,000, the credit union would also report the $40,000 on lines 10 – 12 for the purpose of calculating the Risk Based Net Worth requirement. Also, in this case, the credit union must comply with all of the requirements of Part 723 of NCUA's Rules and Regulations in making this loan because the loan caused the aggregate amount of business purpose loans to the member to exceed the $50,000 threshold in Section 723.1(b)(3) of NCUA's Rules and Regulations.

  If, in the case above, the member subsequently pays down the $35,000 business purpose loan to $15,000 and the $40,000 business loan to $34,000, making the aggregate total business purpose loans $49,000, the credit union is not required to list any of these loans on lines 1a-j as Member Business Loans since the new aggregate loan total is $49,000 and is now below the $50,000 threshold in Section 723.1(b)(3) of NCUA's Rules and Regulations. However, if the credit union has assets exceeding $50,000,000, the credit union is required to report the $34,000 member business purpose loan on lines 10 – 12 for the purpose of calculating the Risk Based Net Worth (RBNW). For RBNW reporting requirements, the outstanding loan balance of any loan and participation that ***ever*** *met the definition of a member business loan (e.g., at origination or at time of purchase) must be reported on lines 10 – 12 in the RBNW section for credit unions with assets greater than $50 million."*

Page 16:

- The TDR schedule uses a chart of accounts that is different from other schedules with loan information, and the individual lines do not add up to the line labelled "total."
- There is little value in reporting whether TDRs are in accrual vs nonaccrual status.
- The amount of the allowance for loan loss for TDRs is of little value.
- The PCIL schedule uses a chart of accounts that is different from other schedules with loan information, and the individual lines do not add up to the line labelled "total."
- Having six different pieces of information about PCILs is of little value.

Page 17

- There is little value in reporting details about NCUA guaranteed notes and FDIC guaranteed notes, mutual funds and common trusts, and bank issued FDIC-guaranteed bonds.
- There are three separate sections with questions about (1) agency mortgage-backed investments, (2) other mortgage-backed securities, and (3) CMOs and commercial mortgage backed securities. If this information is of value, it should be in a single schedule with mutually exclusive categories that would avoid overlaps and would add up to a recognizable total.

Pages 18-25

- No questions/comments.

To summarize, we think NCUA could save credit union and examiner staff a great deal of time, and improve the quality of information provided, by simplifying and reorganizing the call report format. The current call report has grown over time, question by question and schedule by schedule, to its current condition. NCUA and credit unions should take this opportunity to eliminate questions that are not essential, and reorganize the essential existing questions and new questions in ways that make compliance and quality control straightforward.

Sincerely,

Keith Peterson
Chief Financial Officer
Summit Credit Union

KP/tmh

CC: Kim Sponem, CEO/President