Oregon State Credit Union
4800 SW Research Way
PO Box 306
Corvallis, OR 97339-0306

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National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear NCUA Officials,

Thank you for taking the time to seek stakeholder feedback regarding the data collection process involving the Call Report Form 5300. I hope you find the collection of insights you receive valuable in reducing the burden credit unions face in the future and improving your ability provide adequate oversight.

I have been completing the Call Report for my institution for the last 29 cycles. During this time, our organization has doubled in asset size and we have added complexity in our balance sheet in many ways. Since 2008, the Administration of course also demanded more of institutions through significant increases of data required as well as addition of the Profile. Our asset size allows us the good fortune of having tools available to assist in completing the Report. Due to our complexity, we have favored use of these tools over systems that claim to automate the process in conjunction with the "Import Call Report" feature of Credit Union Online.

In the remainder of this letter, I'm going to share the difficulties I have experienced, as well as recommendations to alleviate such issues regarding redundant data and complications specific to those instances, MBL challenges, TDRs, instructions, warnings (and historical warnings), account codes and input in the online platform.

Data that we include more than once in each report cycle is the greatest obstacle we face. As an example, the count or amount for a Real Estate secured business loan that is a purchased participation to build apartment complex would be reported on lines 12, 13, 18, and 21 (and heaven forbid on 22 and 24 as a trouble debt restructure), within page 8 unless is the loan is USDA guaranteed, in which case it only goes on line 12; and not at the full amount, only the unguaranteed portion.

Managing 400 loan types that may or may not appear more than once can be at best, very challenging. From a data management perspective, the formula for success is to eliminate the duplication in the Call Report. Every loan is recorded once, and therefore should be reported once (or as close to it as we can get). This can be done simply by rebuilding the loans section of page 2 to display the greatest level of detail, by collateral type, that the Administration deems necessary. Then construct subsequent sections on (1) delinquency, (2) charge-offs, (3) unfunded commitments and anything else possible, based on the same loan classifications.

Next, I'd like to address reporting requirements for business loans. The concept of Net Member Business Loan Balance (NMBLB) is not difficult, but implementing accurate reporting can be.

For loans made to businesses, we must collect 29 data points regarding collateral, purpose, repayment terms, guarantees and participation ownership rights, for each loan to ensure they are accurately included throughout the Call Report. This is the result of unnecessary complexity in reporting. For example, where the loan repayment is partially guaranteed by a political subdivision of the US Government, we must count a delinquent loan at its full balance on page 7 but only the unguaranteed portion in classifications on page 8. Equally as challenging is line 3 of Schedule A, Section 4, where rules and regulations Part 723.3(a) applies and we start with a group of loans already reported on a different line, but remove a select few of those loans that are for a specific purpose, but only one time per borrower. I understand the Administration is attempting to evaluate the level of risk at the institution but the effort to get to this level of detail would be better achieved simply by providing an itemized list of loans to examiners that includes a standardized set of loan characteristics.

To add to my previous point regarding redundant data, we provide unfunded commitments as part of the outstanding amount in Section 4 of Schedule A, and these are duplicated with different classifications on page 10. Yet we are also required in some circumstances, such as line 4 Schedule A, Section 4, to provide only the outstanding balance (excluding the unused portion of the limit) for a subset of loans already reported on that same page. I would suggest a re-read of the instructions for Schedule A, Section 4, noting the number (1) of examples necessary to help filers, (2) uses of "include" or "exclude" and (3) instances of bolded and underlined fonts. This should be a clear indication out just how challenging it can be to report accurately. This also demonstrates what the Administration has needed to do to this point, in an attempt to clarify the demands of the Call Report for filers.

Addressing the symptoms of Member Business Loan reporting would be most effectively accomplished by attacking its causes, MBL rules and regulations such as the business lending cap at 12.25% of total assets. When a business loan portfolio contains hundreds of loans, distinguishing between a Member Business Loan, and a Business Purpose Loan, based on the borrowers aggregate balance is a difficult task, especially since the balances are a value that changes every month. The effort required in this instance simply is not worth the value derived. I'm compelled to point out (1) the MBL threshold is established at $50,000.01 has never changed (indicating its limited significance), (2) a substantial number of credit unions now qualify for the "Low Income" designation, and (3) credit unions have been highly praised during the financial crisis for their willingness to provide credit where banks would not.

For these reasons, I assert the regulatory cap on MBLs at 12.25% of total asset and related reporting should be significantly updated. I believe an opportunity exists, in conjunction with forthcoming implementation of Risk Based Capital Rules, to provide substantial revisions to business lending limits and their calculations resulting in a comprehensive yet simplified set of rules subsequent reporting requirements. As a starting point, I would recommending the rules and regulations, and subsequent reporting for business lending be more based the intent of a loan, a static characteristic that rarely (if ever) changes over the life of a loan, rather than an arbitrary dollar threshold that ever-changing balances must constantly be evaluated against.

Moving on, reporting of troubled debt restructures (TDRs) has been difficult since their popularity increased in 2009. In my opinion, TDRs don't need to be 10 extra lines on page 8, and 5 more on 9 and in their own section on 16. Put everything you want to know about TDRs in one schedule.

The Call Report instructions have evolved significantly over the past decade. One year ago, the Administration ceased publishing a revised set of instructions with each reporting period. While that is reasonable for sake of efficiency, there are 2 points to be made that should help credit unions with instructions. First, the file announcing changes needs to be updated every period at least as a positive confirmation to credit unions that there were no changes for the period. Second, the Call Report instructions should be reviewed for clarity. For example instructions related to, Schedule A, Section 4 line 8 for Small Business Administration loans includes one sentence about what to report, as well as one sentence about what not to report. Then there are 5 more lines of other loan and investment instructions pertaining to areas of the Report that are *not* line 8.

The appearance of the Call Report could be cleaner by eliminating the display of field codes. The only time these are of use to me is when researching the "Warnings" and "Historical Warnings." To that extent, the "Warnings" and "Historical Warnings" would be easier to navigate if they listed the page number, line number and column. I believe there may be some filers who prefer to see and use the field codes, so it would be ideal if there was a setting where the user could determine if the values were displayed or not.

With regard to "Warnings" and "Historical Warnings," I find it disappointing that the system has the sophistication to conduct the analysis, but fails to display the actual amounts analyzed within the warnings themselves. Simply displaying the values the system is comparing will be a great benefit through the reduction of time spent reviewing them. This savings in time can result in more time spent attending to the affairs of running the business well. Running the business well reduces the risk credit unions pose to the Share Insurance Fund.

Since the "Credit Union Online" system was introduced, I have observed an issue with typing in numbers that I have never encountered in any other software. As a user presses the "Tab" key of the keyboard to navigate to a new cell, then enters a value, the cursor will unexpectedly jump to a different position within a cell. For example, in the most recent completed quarter, I attempted to enter 2965720 into field 003. After entering $"2" the cursor moved itself to the left of the dollar sign and as I entered the remaining digits "965720" the result was "965720$2." After pressing "Tab" again to continue, the cell formatted itself to "$9,657,202" but as you can see this is not at all the number I had entered. When this occurs within the balance sheet, such as in this instance, and assets do not equal liabilities plus equity, it is clear there is an issue to resolve. Although the solutions in this case are straightforward, the time spent is an unnecessary cost to credit unions. Unfortunately, when type of error occurs within a section such as "Additional Delinquency" on page 8, the system generated mishap is much more difficult to identify. For the June 30th 2016 edition of the Call Report, I experienced this issue in 10 other fields (797B, 719, 007, 008, 021U, 550E, 878, 884A1, 1013 and 1028N). Obviously the accuracy of data provided by credit unions is, and will continue to be jeopardized by the faulty functionality of the system provided until the developers responsible for it take the necessary steps to ensure its operational effectiveness.

In conclusion, I again thank the Administration for putting forth a request for feedback. I am hopeful the result is a more straightforward reporting process and effective oversight. I presume it is difficult for the NCUA to recognize the experiences of the regulated institutions. I believe this request for feedback should be a regularly scheduled event the Administration pursues, perhaps as frequently as every 3 years.

Sincerely,

BWarner

Bobbie L. Warner
Senior Vice President