

NCUA Interview Q&A

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Q: Commercial banks submit their Call Report data using TSP-provided software. The FDIC has a data-submission portal, but no bank uses it. In contrast, no credit union relies on vendor-provided software; they all use the NCUA system [CU Online]. Do you have any insight about this pattern? Have credit-union TSPs refrained from offering an alternative because NCUA provides CU Online free to users? Or could NCUA do something from a technology perspective to make it more likely vendors would offer similar data-submission software?

A: I was unaware of the trend in commercial banks. I wonder if it evolved more out of the FDIC's approach to vendors than the desires of the commercial banks. Throughout my tenure as a designer for core processors, I had avoided creating Call Report solutions for two reasons: First, there was no visible support by the NCUA to encourage vendors that it was a worthwhile endeavor and that the NCUA would set some standards for a designer to work towards. Therefore, no credit unions made it a competitive expectation in selecting core processing solutions.

Second, Call Reports have been comprehensive and far more diverse than the data included in a core processing platform. They require additional data and even static answers from the credit union. Credit unions, therefore, seem to think of it as a process of correlating diverse vendor information, beyond what we might store in the core.

I did eventually reverse myself, and we developed a very comprehensive Call Report tool nearly a decade ago. But we didn't design it to be a submission tool. We created a tool to automate the collection of data from our core using configurable calculations. More importantly, we designed it as way for credit unions to analyze trends from their Call Report data, and to more easily reconcile the portions of the data that were native to our solution. Our credit unions complete the process and then upload through the reporting mechanism provided by the NCUA.

This is not the ultimate solution, but it is a solution that allows us to collaboratively analyze Call Report changes, call out those changes to our network, add new automation as both the Call Report and our data change over time, and even provide services so credit unions have backup should their teams need support actually creating a response. While CUs can complete the entire Call Report on our software and upload it to the NCUA product, many still rekey the data into the NCUA site, risking errors.

We would prefer to go one step further and be able to aggregate Call Report responses and send them in a batch to the NCUA, instead of credit unions having to upload them individually. We believe we could help more CUs be timely in their responses and give a better network trending to our owners.

We have tried to create a competitive difference with our solution for Call Reports and the services we offer. It's a slow go. And yes, I do believe the NCUA could create a better environment so vendors would respond as a community and create a better solution, such as a standard testing site, better help desk support, and an environment where the 5300 was more transparent as to its formulas and inner workings. The NCUA's secret-sauce mentality about how they analyze 5300 data and come up with CAMEL correlations creates a negative environment for developers and credit unions to run towards.

NOTE: We have started to think about how to exchange data with the examination community, and have been working with both the NCUA and state regulators on new tactics. These include a 24-hour data loop with long-term trending and 30-, 60-, 90-, 180-, 365-day data averaging; a full alert system where data changes could signal regulators and third-party commentators; etc. You can see our work in this area at <https://www.mycutoday.com/>. We also have been working on encrypted data exchanges between credit unions and examiners for exam packages.

So as we watch 5300 and ARIES data products from the agency, we wonder why they're not going forward to augment quarterly survey data with more effective, generic FI data so the CUs and examiners could break down resolving issues into more timely and smaller, more consumable chunks. I look forward to the next several years as many groups come to this space for innovation.

Q: The FFIEC has developed a streamlined Call Report for community banks with few complex/specialized activities. Their background research indicated community banks wanted a shorter form but were adamant the order of remaining data fields not change. In other words, banks thought it important to maintain the current order of Call Report items even as specific data fields were eliminated or consolidated. Because some NCUA stakeholders have suggested reorganizing our Call Report, it is important to understand potential problems. Do you think credit unions would have similar views? If so, would their opposition to Call Report reorganization stems from the high cost of adapting data systems or another consideration?

A: I can only assume, because so many banks do use TSP-provided software to submit their Call Reports, that they would be worried about the FFIEC beginning to radically adapt and evolve their Call Report, since they'd have to pay their vendors for the necessary adjustments. It's far easier to append databases than to reengineer them for extensive changes. When you reengineer a database, then you have to recreate the integrations between vendor systems, and in some cases the banks would have multiple vendors to pay for adjusting these integrations (even if they only had to pay themselves).

Because the CU vendor solution set is not as widespread and vested, I imagine credit unions are not as worried about changes to the Call Report, since it would be the NCUA's problem to change their reporting format from time to time. This is not to say that CU*Answers does not have a certain amount of overhead in adjusting our tool to changing questions and data configurations of the NCUA's Call Report. But our service was designed to accommodate constant change, so the real cost is just teaching the credit unions about the changes and how to reconcile and reconfigure our data.

As a cooperative, we don't charge for this technical solution. We have minimal fees for education, and some small processing fees if our bookkeeping teams are actually responsible for completing and reconciling the Call Report prior to sending it to the NCUA. Once again, I do believe the NCUA could create an environment where vendors responded to competitive pressures from CUs to do these services at relatively low cost, if the NCUA had the insight to encourage competition to keep the credit union's ultimate costs down.

Imagine the power of vendor-based systems if they could actually offer credit unions the ability to use NCUA performance analysis as a day-to-day, month-to-month tool instead of seeing it as a confusing, once-a-year hammer against them.