

August 15, 2001

Ms. Becky Baker  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Re: National Credit Union Administration; Prompt Corrective Action; Requirements for Insurance; 12 CFR Parts 702, 741; 66 Federal Register 40642, August 3, 2001

Dear Ms. Baker:

The National Credit Union Administration ("NCUA") proposes to amend its rule concerning financial and statistical reports to require all federally-insured credit unions to file quarterly Financial and Statistical Reports with NCUA. The American Bankers Association ("ABA") is supportive of this proposed change. However, the ABA urges NCUA to reject any effort to scale back the amount of information collected from federally-insured credit unions under \$50 million in assets.

The ABA brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership – which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country.

#### Background

Currently, only federally-insured credit unions with assets over \$50 million must file quarterly call reports. All other federally-insured credit unions are required to file call reports semi-annually.

The NCUA Board proposes revising §741.6(a) to require all federally-insured credit unions to file quarterly call reports. According to the NCUA Board, "the proposed amendment is a necessary component of NCUA's proposed examination program that will use a risk-focused approach to examination and extend the examination cycle for credit unions that meet certain criteria." The filing of a quarterly call report will enable NCUA to identify "those operational areas that represent the greatest risk" to credit unions. According to NCUA, the off-site review of a credit union's financial trends will help NCUA to detect emerging problems and thus, improve the allocation of NCUA's resources.

#### ABA's Position

The ABA agrees with NCUA's analysis of the supervisory value related to quarterly call reports for all federally-insured credit unions. Thus, the ABA supports this revision to §741.6(a).

However, it has come to ABA's attention that there are those advocating the filing of a streamlined and simplified call report for small credit unions, sometimes referred to as "5300

EZ." The ABA opposes the effort and urges NCUA to reject any such modification to its call report. A too-simplified call report, which fails to provide data in sufficient detail, would undermine the process of obtaining timely and complete financial data for use in off-site supervision of credit unions and the monitoring of emerging trends. Such a scaling back in data collection would be anathema to NCUA's risk-focused approach to examinations. Certainly, if call reports are adopted which are inadequate for off-site monitoring, then NCUA should not consider any further extension of the examination cycle.

Moreover, ABA believes these concerns have already been addressed by NCUA. Per the instructions of the call report, the supplementary schedules A thru G have to be completed only if they are applicable. If a credit union is not involved in these activities, then it is not subject to this reporting requirement. Therefore, the credit union's degree of complexity determines the extent of the reporting requirements for the credit union.

The ABA believes that, if the NCUA adopts its proposed regulation, the new rule should become effective beginning with the March 31, 2002 call report cycle. We are not aware of any reasons to delay its implementation. Since all credit unions under \$50 million already file the call report twice a year, they already have the procedures in place to file these reports and should not have much difficulty simply filing twice more.

Furthermore, as part of its risk-focused approach to examinations, the ABA would encourage NCUA to take this opportunity to review the information being collected in its call report. For example, a growing number of credit unions are joining the Federal Home Loan Banks (FHLBs). The ABA believes NCUA should gather information on advances by federally-insured credit unions from FHLBs.

#### Conclusion

The ABA believes that the filing of quarterly financial and information statements will improve the off-site monitoring of federally-insured credit unions, efficiently allocate NCUA's resources, and reduce the risk to the National Credit Union Share Insurance Fund.

Sincerely,  
Keith J. Leggett