MICHIGAN CREDIT UNION LEAGUE & AFFILIATES

November 15, 2024

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Proposed Revisions to NCUA Form 5300 Call Report (OMB Control Number 3133-0004)

Dear Ms. Conyers-Ausbrooks,

The Michigan Credit Union League (MCUL), on behalf of our member credit unions, appreciates the opportunity to submit comments to the National Credit Union Administration (NCUA) regarding the notice and request for comment on proposed changes to the NCUA Call Report (Form 5300). The MCUL is a statewide trade association representing 184 credit unions located in Michigan and their nearly 6 million members. As discussed below, MCUL offers no major objections to all but one of the proposed changes; the exception being the proposed reporting of uninsured deposits by maturity. Because of the issues and challenges presented by the proposed reporting, we ultimately request that these fields be excluded from the finalized Call Report and, instead, considered as a proposed regulatory change to Part 745.

The NCUA has introduced a range of proposed updates to the Call Report, including the removal of outdated accounts, adjustments to existing accounts and the addition of several new data fields. We understand the importance of these revisions for the NCUA's ongoing supervision of federally insured credit unions and its management of the National Credit Union Share Insurance Fund (NCUSIF). Accordingly, MCUL broadly supports the NCUA's efforts to enhance its risk identification efforts. However, it is vital that these proposed requirements are clearly articulated, measurable, and specifically tailored to the risks the NCUA aims to address. To that end, we have several concerns with the proposed changes to Schedule D, Section 3, which we will articulate in further detail below. Moreover, while the Request for Comment (RFC) notes the NCUA's belief that the proposed revisions will not significantly affect the current reporting burden, we have concerns to the contrary, specifically as it relates to those proposed data fields in Schedule D, Section 3. Our primary concern lies with the fact that vague justification, an absence of guidance and unclear regulatory requirements will (and has) lead to confusion, making compliance not just a challenge, but potentially impossible. Without further consideration and clarification, these changes will likely result in a greater reporting burden than currently estimated, as well as inaccurate reporting.

Schedule D, Section 3, Maturity Distribution of Total Uninsured Shares and Deposits

In the documentation provided by the NCUA, three accounts are being added to page 19 of the Call Report, "*…for reporting the maturity distribution of total uninsured shares and deposits*." The added accounts provide for the reporting of non-maturity uninsured shares and deposits (SH0065), as well as uninsured shares and deposits with maturities of 1-3 Years (SH0066) and with maturities greater than 3 Years (SH0067). While credit unions have been reporting total uninsured shares and deposits without issue, the addition of the maturity distribution fields presents significant challenges, the primary challenge being a lack of clarity on establishing a hierarchy for determining which deposits receive share insurance priority.

Currently, core system providers are reporting total uninsured shares and deposits by first calculating an estimated coverage based on share type and other factors, then subtracting the total savings amount, which nets an estimated uninsured deposit amount.[1] These reports work by implementing calculations based on the rules established in 12 CFR Part 745 and by adhering to the principles of aggregation and proration established in 12 CFR 745.200(c):

> "***Multiple accounts.*** In the event an insured member holds more than one insured account in the same capacity, and the aggregate amount of such accounts (including share draft accounts held in such capacity) exceeds the amount of insurance afforded thereon, the insurance coverage will be prorated among the member's interest in all accounts held in the same capacity. …"

The Appendix to Part 745 provides multiple examples of how to determine insurance coverage across a number of complex scenarios. Note that, in each example, funds are aggregated by member and by share type, and what results is an aggregate insured amount and an aggregate uninsured amount for each share category owned by a member. Notably, no hierarchy is given to which shares receive share insurance priority. For example, when aggregating deposits among particular share classes, should share insurance priority be given to non-maturity deposits first or to certificates first? Such a hierarchy is not contemplated anywhere within Part 745, Appendix included, nor is it contemplated in any of the change documentation provided by the NCUA alongside the RFC. As such, there has been some confusion among our member credit unions, as it would appear that the requested reporting fields would be impossible to comply with without additional information.

Please consider the following representative example:

> Member A maintains an individual account with a balance of $300,000. $25,000 is held in a checking share, while the remaining $275,000 is held in certificates.

[1] As a representative example, core system provider CU*Answers has made their NCUA Share Insurance report calculations and methodology available online at https://www.cuanswers.com/wp-content/uploads/NCUAShareInsurance.pdf

In this simple example, according to the rules and principles established in Part 745, Member A would have $250,000 in insured deposits, with $50,000 in uninsured deposits. This is both easy to understand and simple to calculate for reporting purposes. However, when we attempt to distinguish between non-maturity and maturity deposits, we are presented with a scenario where we are unable to make a determination on which funds should be considered first for share insurance coverage.

Insured Amount		**Uninsured Amount**	
$250,000		$50,000	
Non-Maturity	***Maturity***	***Non-Maturity***	***Maturity***
? of $25,000	? of $275,000	? of $25,000	? of $275,000

Questions to consider:

- Should the $275,000 held in certificates be given priority? If so, this would result in:
    - $250,000 in insured maturity deposits;
    - $25,000 in uninsured non-maturity deposits, and;
    - $25,000 in uninsured maturity deposits.
- Should the $25,000 held in checking be given priority? If so, this would result in:
    - $25,000 in insured non-maturity deposits;
    - $225,000 in insured maturity deposits, and;
    - $50,000 in uninsured maturity deposits.

Unfortunately, in attempting to answer these questions, Part 745 is silent on the matter. If this confusion exists with such a simple example, imagine how much more confusing it would become as the scenarios become more complex. What if, for instance, Member A was also joint owner on an account with Member B, which has a balance of $700,000, $50,000 of which was held in checking, while the remaining $650,000 was held in certificate. According to 745.8(b), Member A's share of $350,000 would leave $100,000 uninsured, and the same two questions asked above apply here, as well, but the answers are complicated further by the requirement to split share insurance coverage with the additional owner:

- Should the $650,000 held in certificates be given priority? If so, Member A's insurance coverage would be:
    - $250,000 in insured maturity deposits;
    - $100,000 in uninsured maturity deposits, and;
    - $25,000 in uninsured non-maturity deposits.
- Should the $50,000 held in checking be given priority? If so, Member A's insurance coverage would be:
    - $25,000 in insured non-maturity deposits;
    - $225,000 in insured maturity deposits, and;
    - $100,000 in uninsured non-maturity deposits.

It is plainly evident that without additional information, compliance with the new reporting requirements will not just be difficult, but entirely impossible. Without additional information on how to prioritize deposits into a standardized hierarchy, credit unions and core system providers will not be able to calculate estimated uninsured deposits accurately, which renders the entire exercise moot. Moreover, because the reporting will be inaccurate, this will also result in deviations and inaccuracies for Call Report Accounts 065A4 and 067A2.

Should the NCUA provide the necessary information to accurately report uninsured deposits, the calculations will need to change extensively, and at significant cost to credit unions, which at this point, we do not believe has been justified. If the purpose of these new reporting fields is for evaluating the movement of uninsured deposits between maturity and non-maturity accounts, as the NCUA has declared, the necessity for such an evaluation has not been sufficiently articulated. Greater detail on the need for such a requirement would be helpful in justifying the costs associated with the report enhancements.

That said, we do not believe that instructions or guidance would be sufficient for providing the necessary information. This would appear to be a complete reimagining of how share insurance is calculated, as the new criterion of maturity/non-maturity is being injected into the already-established rules of Part 745, as well as the principles of aggregation and proration. Considering that the current calculation is a function of Part 745, adding a maturity consideration would result in an entirely different calculation, where credit unions would first need to sum maturity and non-maturity deposits independently within the share class aggregation, determine which gets insurance priority, and then, finally, make the share insurance coverage calculation. Performing this new calculation would require either deviation from or addition to the rules established in Part 745. As such, adding an instructional note to the Call Report Instructions would be inadequate, as such a reimagining would necessitate a change to the regulation, subject to public review and comment. The NCUA would need to rationalize why such a distinction between maturity and non-maturity deposits was necessary, justify why one would receive precedence over the other, articulate how to conduct the new calculations for each share class and allow credit unions to provide their input. To that end, we would request that these additions to the Call Report be excluded from the final Call Report and that maturity/non-maturity be instead considered for regulatory proposal.

Conclusion

The Michigan Credit Union League appreciates the opportunity to comment on the proposed revisions to the Call Report. Should you have any questions or require any additional information, please contact me at Bradley.Willett@MCUL.org or at (734) 793-3410.

In cooperation,

Bradley Willett

Brad Willett
Director of Compliance & Regulatory Affairs