

# NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION

NATIONAL CREDIT UNION SHARE INSURANCE FUND

LETTER NO. 179

DATE: September 1995

DEAR BOARD OF DIRECTORS:

The National Credit Union Administration (NCUA) is modernizing its information processing and management systems in order to provide better quality products and services in a more efficient and effective manner. This letter explains one very important change you will see soon.

The new Automated Integrated Regulatory Examination System -- AIRES -- will be introduced to both Federal and state examiners this fall. It is a significant technological improvement in the way we conduct credit union examinations. While it does not affect the policy issues and program decisions that go into examining credit unions, AIRES will dramatically change the way examiners spend their time collecting, analyzing, and reporting examination information.

AIRES is a computer program developed to assist both Federal and state examiners in performing their credit union examinations. AIRES utilizes advanced computer hardware and software tools, improving the way we use our resources and producing a high-quality examination product. AIRES accomplishes these goals by:

- \* minimizing routine clerical and administrative duties currently performed by examiners
- \* providing electronic access to information from various sources using modern computer-assisted auditing techniques to review and evaluate credit union data
- \* improving communications with credit union officials
- \* providing a flexible examination system that can easily adapt to our dynamic industry

AIRES will have a significant impact on the examination process.

AIRES is capable of accepting electronic share and loan trial balance information from a credit union's data processing system. Credit unions can provide this data to examiners through standard data download routines made available by their information processing vendor or written in-house. AIRES loads this data directly into examination modules assisting the examiner in performing share and loan data analysis. This feature, combined with the ability to load historical examination and Call Report data into the examiner's computer, makes AIRES the most powerful examination tool ever introduced. Enclosed for your information are copies of the share and loan download file record layouts and the explanation of the data elements requested for input into AIRES.

AIRES benefits both credit unions and NCUA.

The electronic data download capabilities of AIRES will, when fully utilized, reduce credit union time and

resources required to provide examination information. The chance for data input error is reduced through this download process. Examiners will make fewer requests for paper reports since they can now be generated, using the same credit union source data, on the examiner's computer. AIRES will produce an examination report that is easier to read and more professional in appearance than was previously possible. AIRES significantly improves the capability of examiners to collect, analyze, and report examination information. The download process allows examiners to spend more of their allotted examination time talking with credit union officials and less in the back room inputting data into their computers. AIRES reduces the amount of time required to move information throughout our organizations and it reduces our use, mailing, and storage of paper. These changes will benefit the entire credit union industry through better use of oversight resources.

AIRES provides for the security of credit union member data.

Examiners have always had access to member data for examination purposes. AIRES uses the same information examiners have always obtained from credit unions. However, instead of getting paper listings and reports, AIRES makes use of this information in electronic form. In order to ensure the control and confidentiality of member data, the following procedures and internal controls have been incorporated into the use of AIRES:

**Access Data** -- Examiners will always obtain data download files from the credit union, just as they now obtain paper files and other information. Examiners will not go directly to a data processing vendor to obtain electronic data without the knowledge and authorization of the credit union. Examiners will never enter a credit union computer system and extract data for examination use without the knowledge and permission of the credit union. AIRES does not, and will not, have this capability. In addition, examiner computers contain three levels of password protection and AIRES utilizes encrypted password protection, embedded in the program, to prevent unauthorized access or use.

**Transform Data** -- AIRES can, at the credit union's option, transform or scramble sensitive member data into unrecognizable characters, either during or after the download process. Transformation renders the data useless outside of the examination environment. This is a one-way process that cannot be reversed.

**Destroy Data** -- The downloaded share and loan data files are completely destroyed, and unrecoverable, at the end of the examination. No sensitive member data is uploaded to any host computer system at any time. We will actually keep less data in our files using AIRES than under the present examination system. Currently, examiners retain certain information on selected share and loan records to document the examination findings and perform comparative analysis to past year examination results. Under AIRES, the same types of information will be retained in our electronic records. However, less overall data and no sensitive member data will be kept.

As you can see, we have taken great care to incorporate into AIRES safeguards and controls to ensure the protection of credit union member data.

AIRES implementation is just around the corner.

NCUA began developing AIRES in January 1994. Many examiners and credit unions have participated in field testing and AIRES is now ready for release. Both NCUA and participating state examiners will begin using AIRES as the standard field examination program in October 1995. Full implementation will be completed by February 1996.

Changing the work environment of an organization is no small task. It requires cooperation, dedication, and

a willingness to try new things. AIRES is a giant step toward improving our regulatory oversight process to better ensure the safety and soundness of all credit unions.

Norman E. D'Amours Chairman of the Board

Enclosures FICUs

AIRES Share Data Record Layout Specifications June 30, 1995

<b>FIELD NUMBER</b>	<b>FIELD NAME</b>	<b>FIELD LENGTH</b>
1	Record Code	A1
2	Account Number	A20
3	Member's Name	A41
3a	Last Name	
3b	First Name	
3c	Middle Initial	
4	Mailing Street Address	A30
5	City	A15
6	State	A2
7	Zip Code	A9
7a	5-Digit Zip Code	
7b	4-Digit Zip Code	
8	"Other" Street Address	A30
9	Share Balance	N14.2
10	Share Type Code	A5
11	Social Security Number	A12

AIRES Share Field Description June 30, 1995

Record Code - For all software vendors, the share record code will be "S" for all types of member share deposits.

Account Number - Account numbers must include a prefix or suffix code to allow for identification of individual share deposits within one account number.

Member's Name - The member's name will be a string of characters starting with "Last Name, First Name, Middle Initial".

Mailing Street Address - The street address will be a string of characters starting with "Number then Name of Street".

City - The city will be the city associated with the Mailing Street Address.

State - The state will be the state associated with the Mailing Street Address.

Zip Code - The ZIP code will be the zip code and four digit identifier associated with the Mailing Street Address.

"Other" Street Address - This field will be used for a street address other than the mailing address. The Other Street Address will be a string of characters starting with "Number then Name of Street".

Share Balance - The current share balance. Signed with 2 decimal places.

Share Type Code - System code to identify certificates, regular, draft, IRA, money market and other share deposit accounts. See list below for standard codes.

Social Security Number - Primary depositor's Social Security Number or TIN Number.

AIRES Loan Data Record Layout Specifications June 30, 1995

<b>FIELD NUMBER</b>	<b>FIELD NAME</b>	<b>FIELD LENGTH</b>
1	Record Code	A1
2	Account Number	A20
3	Member's Name	A41
3a	Last Name	
3b	First Name	
3c	Middle Initial	
4	Mailing Street Address	A30
5	City	A15
6	State	A2
7	Zip Code	A9
7a	5-Digit Zip Code	
7b	4-Digit Zip Code	
8	"Other" Street Address	A30
9	Loan Type Code	A5
10	Payment Amount	N14.2
11	Purpose Code	A5
12	Loan Term	A3
13	Payment Frequency Code	A2
14	Date of Loan	Date
15	Original Loan Amount	N14.2
16	Interest Rate (APR)	N7.3
17	Interest Rate (APR)	CodeA3
18	Current Loan Balance	N14.2
19	Date of Last Activity	Date

20	Last Activity	Code A5
21	Next Payment Due Date	Date
22	Accrued Interest	N10.2
23	Credit Limit	N14.2
24	Social Security Number	A12
25	Days Delinquent	N4
26	Delinquency Counter 30-59 Days	N3
27	Delinquency Counter 60-89 Days	N3
28	Delinquency Counter 90-119 Days	N3
29	Delinquency Counter 120 Days +	N3
30	Insider Codes	A2
31	Loan Officer/CC Initials	A3

#### AIRES Loan Field Descriptions June 30, 1995

Record Code - For all software vendors, the loan record code will be "L".

Account Number - Account numbers must include a prefix or suffix code to allow for identification of individual loans within one account number.

Member's Name - The member's name will be a string of characters starting with "Last Name, First Name, Middle Initial".

Mailing Street Address - The street address will be a string of characters starting with "Number then Name of Street".

City - The city will be the city associated with the Mailing Street Address.

State - The state will be the state associated with the Mailing Street Address.

Zip Code - The zip code will be the zip code and four digit identifier associated with the Mailing Street Address.

"Other" Street Address - This field will be used for a street address other than the mailing address; the Other Street Address will be a string of characters starting with "Number then Name of Street".

Loan Type Code - System code for loan type. See attached list for standard codes; CU will enter this information on loan origination.

Payment Amount - Amount of the scheduled payment.

Purpose Code - System code for loan purpose. See attached list for standard codes; CU will enter this information on loan origination.

Loan Term - Number of contractual payments required to amortize the loan.

Payment Frequency Code - This field identifies the frequency of contractual payments. See attached list for standard codes.

Date of Loan - Format Date as MMDDCCYY (Month Day Century Year). This date will be the date the loans were originally granted (closed-end loan), or most recent advance approved (revolving credit), or plan approved (LOC).

Original Loan Amount - Original amount advanced on loan. Signed and Two Decimal Places.

Interest Rate (APR) - Current contractual annual percentage rate (APR) expressed as a percent (e.g. 12% = 12.000). Three decimal places.

Interest Rate (APR) Code - This field will identify fixed, adjustable and variable rate loans. See attached list for standard code.

Current Loan Balance - The outstanding principal balance; signed with two decimal places.

Date of Last Activity - Date of last account activity, either monetary or non-monetary. Date format as "MMDDCCYY" (Month Day Century Year).

Last Activity Code - Identifies the last account activity by code. See attached list for standard codes.

Next Payment Due Date - Date format as "MMDDCCYY" (Month Day Century Year).

Accrued Interest - Total amount of interest due since last payment. Signed with two decimal places.

Credit Limit - In cases of approved lines of credit, input the contractual dollar amount approved for this loan.

Social Security Number - Primary borrower's Social Security Number or TIN Number.

Days Delinquent - Number of days the next payment due is past due.

Delinquency Counter 30-59 Days - Number of times a payment has been 30 to 59 days past due.

Delinquency Counter 60-89 Days - Number of times a payment has been 60 to 89 days past due.

Delinquency Counter 90-119 Days - Number of times a payment has been 90 to 119 days past due.

Delinquency Counter 120 Days and OVER - Number of times a payment has been over 120 days past due.

Insider Codes- System codes used to identify Directors, Officials, Employees and Family Members. See attached list for standard codes.

Loan Officer / CC Initials - Field is used to identify the approving official; in cases where the loan was approved by the Credit Committee, field will be "CC".