



June 14, 2025

Ms. Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Suite 6070
Alexandria, VA 22314

Re: NCUA Form 5300 Call Report [OMB Number: 3133-0004]

Dear Ms. Conyers-Ausbrooks:

ModernFi CUSO (“ModernFi”), a credit union service organization, writes in response to the National Credit Union Administration’s (NCUA) request for comment regarding the agency’s proposal related to the NCUA Call Report (Form 5300, the “Call Report”) and the proposed revised Call Report instructions.¹ ModernFi appreciates the opportunity to comment on the NCUA’s proposal, as we believe the Call Report provides the NCUA with critical information to supervise and regulate federally insured credit unions (FICUs). ModernFi submits the following comments with the interest of enhancing the quality, utility, and clarity of information collected via the Call Report, with emphasis on the opportunity to improve the collection of information concerning reciprocal deposits in FICUs. We believe that such enhancements would benefit the competitiveness and success of FICUs in a safe and sound manner, as well as the NCUA’s supervision and regulation of FICUs.

Background on Reciprocal Deposits

The term “reciprocal deposits” generally refers to a deposit placement arrangement through which a sending financial institution places deposits, generally at increments of the maximum insurable amounts, with a network of financial institutions (a “Deposit Placement Network”) and receives back a reciprocal aggregated amount of deposits. The net effect of the placement and receipt of deposits is balance sheet neutral, while enabling depositors to access expanded share or deposit insurance coverage beyond the standard maximum share insurance amount (SMSIA) or the standard maximum deposit insurance amount

¹ 90 Fed. Reg. 17,084 (Apr. 23, 2025).

(SMDIA), respectively, which are currently \$250,000 per depositor, per ownership category at each insured financial institution.² The placement and receipt of deposits is generally enabled by an administrator of the Deposit Placement Network.

In the context of insured depository institutions (IDIs), Federal Deposit Insurance Corporation (FDIC) regulations recognize an exception to the brokered deposit classification for reciprocal deposits (the “Reciprocal Deposits Exception”), which permits certain eligible IDIs to treat reciprocal deposits as non-brokered deposits up to the lesser of \$5 billion or 20 percent of their total liabilities.³ Through the FDIC’s implementation of the Reciprocal Deposits Exception, the instructions for IDI Call Reports, and exclusion for reciprocal deposits from the brokered deposit ratio for well-capitalized small institutions’ risk-based assessment rates, the FDIC consistently recognizes that reciprocal deposits are generally a more stable source of funding for healthy IDIs, and are less likely to be used to fund rapid asset growth in a manner that could be detrimental to the safety and soundness of IDIs, than other types of brokered deposits.⁴

As a result of the FDIC’s recognition of the different risk profile that they present, reciprocal deposits have achieved widespread acceptance among IDIs. When the FDIC implemented the Reciprocal Deposits Exception in March 2018, approximately 21 percent of IDIs reported having reciprocal deposits in an aggregate amount of \$48 billion dollars.⁵ By the end of the third quarter of 2024, the impact of reciprocal deposits in the banking sector had increased substantially, with approximately 46 percent of IDIs reporting having reciprocal deposits in an aggregate amount of \$402.6 billion.⁶ IDIs have also demonstrated in practice the value of reciprocal deposits as a tool that IDIs can utilize to navigate market turmoil and achieve stability during periods of depositor uncertainty. In the wake of the bank failures that occurred in March 2023, IDIs—particularly mid-sized regional banks—utilized reciprocal deposits to increase customer confidence in their stability and to address customer demand for additional deposit insurance in excess of the SMDIA, which helped IDIs to effectively insulate themselves against depositor runs.⁷

² 12 C.F.R. § 745.1(e) (defining the SMSIA); 12 C.F.R. § 330.1(o) (defining the SMDIA).

³ See 84 Fed. Reg. 1,346 (Feb. 4, 2019); 12 C.F.R. § 337.6(e).

⁴ 84 Fed. Reg. at 1,347.

⁵ *Id.* at 1,350.

⁶ *U.S. Bank Usage of Reciprocal Deposits Supports Funding Profiles*, FITCH RATINGS (Dec. 23, 2024), <https://www.fitchratings.com/research/banks/us-bank-usage-of-reciprocal-deposits-supports-funding-profiles-23-12-2024>.

⁷ Edward S. Prescott and Grant Rosenberger, *Reciprocal Deposits and the Banking Turmoil of 2023*, FEDERAL RESERVE BANK OF CLEVELAND (Aug. 13, 2024), <https://www.clevelandfed.org/publications/economic-commentary/2024/ec-202414-reciprocal-deposits-and-banking-turmoil-2023>.

Benefits of Collecting Information regarding Reciprocal Deposits

Currently, the Call Report—specifically, under item number 8 in Section 2 of Schedule D—requires that FICUs provide information concerning their total number of nonmember deposits, which, in accordance with the instructions to the Call Report, includes all brokered deposits among other types of deposits that qualify as nonmember deposits. Other than the requirement to include their total number of brokered deposits among the total number of nonmember deposits, the Call Report does not require FICUs to provide any specific information regarding brokered deposits, including whether any such brokered deposits are reciprocal deposits. By contrast, FDIC IDI call reports include specific reporting elements concerning the total amount of brokered deposits and the total amount of reciprocal deposits.⁸

Consistent with the approach taken by the call reports required by the FDIC (through the Federal Financial Institutions Examination Council (FFIEC), of which the NCUA is a member), ModernFi strongly encourages the NCUA to modify Form 5300 to enable FICUs to report on their total amount of reciprocal deposits. In its current format, the manner in which the Call Report requires FICUs to report their total number of nonmember deposits (to include brokered deposits) does not provide a complete view of the risks associated with the different types of deposits that comprise the FICU's nonmember deposits. For example, a FICU that report a proportionally larger amount of nonmember deposits may yet have a lower risk profile than other FICUs where the reporting FICU's nonmember deposits are comprised of reciprocal deposits, which are generally considered as a more stable source of funding than other types of brokered deposits.

Additionally, the increasing prevalence of reciprocal deposits among financial institutions suggests that understanding FICUs' participation in Deposit Placement Network and total number of reciprocal deposits would provide valuable information for the NCUA's supervision of FICUs and/or potential future rulemaking concerning such practices. As noted above, the prevalence of reciprocal deposits among IDIs has increased substantially since the FDIC Reciprocal Deposit Exception was implemented, and ModernFi believes it is reasonable to assume that growth will continue as financial institutions and their members or depositor customers continue to find value in reciprocal deposits as a stable source of funding and a tool to maximize insurance coverage, respectively.

⁸ See, e.g., Form FFIEC 051 "Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less than \$5 Billion."

Following implementation of the Reciprocal Deposit Exception by the FDIC, the FFIEC updated its relevant call report forms applicable to IDIs to require IDIs to report their total amount of reciprocal deposits.⁹ In doing so, the FFIEC acknowledged the supervisory value of such information for understanding participation by IDIs in Deposit Placement Networks, including for purposes of determining whether reporting changes might require supervisory follow-up.¹⁰ ModernFi believes that similar updates to Form 5300 would allow the NCUA to realize similar supervisory benefits to its information collection through the Call Report, particularly as the prevalence of reciprocal deposits continues to rise.

Finally, we believe a requirement for FICUs to report reciprocal deposits would help spread awareness among FICUs of this reliable and stable funding tool. Further utilization of reciprocal deposits has the potential to provide a significant pathway through which FICUs can compete effectively, safely, and soundly with IDIs, particularly with respect to originating or retaining large deposit relationships. Further engagement with reciprocal deposits would provide FICUs with the opportunity to answer their members' demand for access to expanded share insurance in excess of the SMSIA. This would provide the collective benefit of increasing members' peace of mind, allowing FICUs to more effectively compete with IDIs for retaining critical deposit relationships, and enhancing the overall stability of the FICU ecosystem.

Conclusion

ModernFi appreciates the NCUA's willingness to consider improvements to its data collection efforts through the Call Report in order to obtain accurate and relevant financial information, which is critical to its effective supervision and regulation of FICUs. ModernFi strongly believes that requiring FICUs to report reciprocal deposits on Form 5300 would provide meaningful benefit to the NCUA, as well as FICUs and their members.

Sincerely,

Dr. Paolo Bertolotti
Chief Executive Officer
ModernFi CUSO LLC

⁹ 83 Fed. Reg. 49,160, 49,173 (Sept. 28, 2018).

¹⁰ *Id.*