CUNA
Credit Union National Association
601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-508-6745 | FAX: 202-638-3389
cuna.org
BILL CHENEY
President & CEO

June 28, 2013

Representative Gary G. Miller
2467 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Miller:

On behalf of the Credit Union National Association (CUNA), I am writing in support of the Regulatory Relief for Credit Unions Act. CUNA is the largest credit union advocacy organization in the United States, representing America's 7,000 state and federally chartered credit unions and their 96 million members. CUNA is pleased to support your legislation.

In many respects, your legislation recognizes that while credit unions were created for the specific purpose of promoting thrift and providing access to credit for provident purposes, the statute and regulations that govern how credit unions operate are in desperate need of modernization. Although additional changes are needed, the Regulatory Relief for Credit Unions Act is a good first step toward modernizing the credit union charter and we look forward to working with you to achieve its enactment.

We appreciate the attention the legislation gives to the need for credit union capital reform. As you know, the current credit union capital regime was imposed on credit unions in 1998, and it includes leverage ratios and other restrictions that are hardwired into the statute. There are many lessons to learn from the 2008-2012 banking crisis, including the importance of capital and the importance of having regulators equipped to respond to crisis. Your legislation would amplify the National Credit Union Administration's (NCUA) authority to implement a risk-based capital regime and provide NCUA the flexibility to adjust leverage requirements. Credit unions, as a whole, are very well capitalized; this provision would more precisely measure the capital levels of individual credit unions; it would also give the NCUA the ability to adjust capital requirements when necessary. The authority proposed by your legislation is designed to produce capital rules similar to those that small banks in the United States must follow.

The legislation also includes provisions that recognize the important role that state legislatures and state regulators play in governing credit unions, and would provide a mechanism through which federally chartered credit unions could apply for a waiver to follow certain state regulations if doing so would improve the credit union's ability to serve members and lend in the state. We support this provision and will encourage the NCUA to use it when appropriate, if enacted.

We also appreciate your inclusion of language that would direct the Government Accountability Office to study the need for improvements and modernization of the Central Liquidity Facility (CLF). Part of the rationale for establishing the CLF was to address chronic and system-wide liquidity shortages experienced by the credit union movement in the 1960s and 1970s. However, as the credit union system and its regulatory regime have evolved, the CLF has not proved to be essential to natural person credit unions in dealing with their own liquidity needs. Nevertheless, as we saw during the financial crisis, a facility that permits the NCUA and/or the National Credit Union Share Insurance Fund (NCUSIF) to borrow from the federal government during stressful times is essential. Therefore, an examination of how the CLF might be modernized with the goal of meeting system liquidity needs into the future is appropriate.

Further, we are grateful for your inclusion of language clarifying the insurance coverage of funds held in trust accounts at credit unions. While we believe current law on this matter is clear, the NCUA has not agreed with that assessment, making further statutory guidance necessary. The language in your bill would further clarify that insurance coverage is extended to funds in trust accounts established by a member of the credit unions even if the funds in the account are owned by nonmembers.

The legislation includes important updates to credit union investment authorities designed to permit more enhanced credit union asset management, and improve safety and soundness and member service.

Finally, the bill takes steps aimed at ensuring the regulations to which credit unions and other financial institutions are subject do not result in undue hardship on the institutions, including provisions requiring cost-benefit analysis of certain regulations. It is important that the regulations to which credit unions are subject take into consideration the unique characteristics of credit unions.

On behalf of America’s credit unions and their 96 million members, we appreciate your leadership on this issue, support your legislation and look forward to working with you on this matter.

Best regards,

Bill Cheney
President & CEO