September 4, 2018

Hon. Mark J. McWatters
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Hon. Richard Metsger
Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Chairman McWatters and Board Member Metsger:

I am writing on behalf of the Credit Union National Association (CUNA), the only national trade association representing all of America’s credit unions and their 110 million members. The recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155) was designed to soften the pendulum blow which was the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 for community financial institutions, and CUNA strongly supported the legislation.

Included in Section 210 of the law is a provision that amended the Federal Deposit Insurance Act to increase the asset limit below which depository banks are eligible for an 18-month examination cycle (rather than a 12-month examination cycle) from $1 billion in assets to $3 billion in assets. The federal banking agencies have issued an interim final rule to implement this provision, giving banks holding under $3 billion in assets an examination only once every 18 months, leaving credit unions on an uneven playing field. Credit unions, however, remain eligible for an 18-month examination cycle only if their asset level is below $1 billion. This regulatory disparity now serves as a comparative advantage for community banks.

Congress has already delegated authority to NCUA to set the frequency of examinations for credit unions. Given that Congress has now codified an extended exam cycle for community banking institutions—the type of insured bank depository institution most closely aligned with the credit union industry—NCUA would be well within its legal purview to exercise similar discretion for small credit unions.

CUNA has supported NCUA’s efforts and advancement toward exam modernization, including long-term goals of making continuous supervision and remote examinations a reality. I hope the agency is also following and considering the examination cycle changes made by the federal banking agencies. Already, credit unions are concerned that NCUA has
not taken steps to address the increased commercial appraisal thresholds the banking agencies adopted back in April. Indeed, earlier this year, NCUA acted to rectify the disparity in advertising rules, to loosen disclaimer requirements that banks had enjoyed since 2011. These competitive advantages given to banks translate into tangible costs for credit unions—lost loan volume, increased compliance, and customers seeking business elsewhere.

Credit unions deserve the privilege of providing customer service subject to comparable regulatory supervisory thresholds as applied to banking organizations. I have asked members of my Advocacy team to reach out to Larry Fazio, Director of the Office of Examination & Insurance at NCUA, to discuss this issue in greater detail, but I wanted to let you know that this is a concern among the industry. Thank you.

Sincerely,

Jim Nussle
President & CEO