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February 13, 2019

The Honorable Mike Crapo  
Chairman  
Committee on Banking,  
Housing, and Urban Affairs  
United States Senate  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking,  
Housing, and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of America's credit unions, I am writing today regarding the nominations of Messrs. Todd Harper and Rodney Hood to the Board of the National Credit Union Administration (NCUA). The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

CUNA has not historically taken positions on presidential nominations, and we are not expressing a view on the merits of these nominations. Nevertheless, given that the NCUA Board has been operating at partial capacity since May 2016, we believe it is critical for the effective operation of the agency that the Board be filled by three members, as required by the Federal Credit Union Act (FCUA). As such, we believe a full Board will be most able to address the varied issues facing the credit union industry. Below are issues we feel are important for the Committee to be aware of as it proceeds with this hearing.

### **Importance of the NCUA as an Independent Regulator and Insurer**

CUNA continues to strongly support the NCUA's current status as an independent regulator and insurer. Maintaining a separate, independent federal credit union regulator and insurer is critically important to the credit union system. The structural and mission-driven differences between credit unions and banks necessitate such a regulatory scheme: credit unions' not-for-profit structure and their mission to promote thrift and provide access to credit for provident purposes are fundamentally different than other financial services providers.

The NCUA is funded by credit unions and their members, not by taxpayers. Credit unions and their members remain willing to pay for their own regulator provided there is sufficient transparency, including with regard to the agency's budget. We appreciate the steps Congress took last year to enhance oversight of the agency's budget by requiring the NCUA to hold a hearing on its budget each year. For the last three years, even before it was statutorily required to do so, the NCUA has held such a hearing, and as a result, the agency's budget has improved. CUNA is generally supportive of NCUA's broad budget priorities. We hope the nominees will commit to prudent stewardship of the credit union member resources put in their trust.

The NCUA-administered National Credit Union Share Insurance Fund (NCUSIF) is also independent of the federal appropriations process, which insulates it from unexpected lapses in funding, including the recent partial government shutdown. Credit union share deposits remain insured and secure. Last year, the NCUA closed the Temporary Corporate Credit Union Stabilization Fund and merged it with the NCUSIF. The result of this action increased the NCUSIF's equity ratio well past the 1.30% of insured deposits that Congress has set as a benchmark. The NCUA set the normal operating level at 1.39% and distributed excess funds to credit unions. We hope the nominees will commit to returning the normal operating level to 1.30% over a reasonable period of time.

### **Recent NCUA Actions that Have Been Positive for Credit Unions**

We are optimistic that a full Board will ensure the NCUA will continue to take action that results in increased flexibility and decreased regulatory compliance requirements for credit unions. We appreciate recent actions taken by the NCUA that have been positive for credit unions. These include:

- Extended examination cycles: The NCUA's recent efforts to extend the examination cycle for certain credit unions has benefited numerous credit unions, particularly those for which a 12-month cycle was clearly unnecessary. However, we continue to believe the NCUA should extend the examination cycle for credit unions under \$3 billion in assets, as is provided for banks under the Federal Deposit Insurance Act, as recently amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act.
- Streamlined examinations: We appreciate the NCUA's efforts to streamline examinations and make operations more efficient, and we urge the agency to continue these efforts.
- Virtual examinations: We support the NCUA's move toward virtual examinations, provided credit unions have the ability for in-person interaction to allow them to engage with examiners.
- Modernization of the call report: We support the NCUA's work to modernize the call report. On a going-forward basis, we request the agency continually monitor the call report to determine how it can be further improved.
- FOM litigation: We support the NCUA's litigation efforts regarding its field of membership (FOM) rulemaking, including the NCUA's recent appeal to the U.S. Court of Appeals for the D.C. Circuit, which CUNA filed an amicus brief in support of.
- Executive order: We appreciate that even though it is an independent agency, the current NCUA and Chairman McWatters have stated it will continue to respect the spirit and intent of the Presidential Executive Order to reduce regulatory burden.
- Supplemental capital: While the NCUA has yet to issue a rulemaking on supplemental capital, it has stated it will do so in the near future. CUNA supports an NCUA rulemaking that would provide all credit unions the ability to issue a form of supplemental capital.

We hope the nominees will work to build on the positive momentum that has been created in recent years.

## **Issues the NCUA Can Improve**

While we appreciate the NCUA's recent actions, there are nevertheless issues and rulemakings that cause concern for the credit union industry. We urge the agency and the nominees to maintain an open dialogue with CUNA, the state credit union leagues and associations, and credit unions to ensure it is aware of areas where improvements can be achieved.

The NCUA's recent rulemaking on risk-based capital is a prime example of where we believe the NCUA can make improvements. During the rulemaking process, credit unions across the country expressed significant concerns with the new standards, particularly regarding whether the NCUA has legal authority to impose the requirements. Credit unions have a concern with the new risk-based capital standards for determining whether a credit union is well-capitalized, as the FCUA permits the NCUA to impose a risk-based standard for the purpose of determining capital adequacy only.

In addition, credit unions question whether the cost of the additional regulatory burdens imposed by these standards is justified. CUNA's analysis shows that it would have done very little to reduce costs to the NCUSIF had it been in effect during the most recent financial crisis. Upon reflection, the current Prompt Corrective Action (PCA) system served very well during the crisis, with relatively few credit union failures. If the goal of a PCA scheme is for covered institutions to hold sufficient capital to withstand a severe financial crisis without imperiling the deposit insurance fund, credit unions' performance during the recent financial crisis stands as compelling evidence that a major overhaul of current credit union capital requirements toward a Basel-style system is simply not required. Simply put, we believe the NCUA's rule is a solution in search of a problem. We hope that with a fully constituted Board, the NCUA will revisit this rule.

Furthermore, while outside the NCUA's rulemaking authority, the Financial Accounting Standards Board's (FASB) recent standard on credit losses [referred to as CECL (current expected credit losses)] will have a significant financial and compliance impact on credit unions. We believe a more proactive and collaborative strategy by the NCUA with industry stakeholders will better ensure credit unions are prepared for this major change as the effective date approaches. Preparation for credit unions to comply with the CECL standard should be a top priority for the NCUA this year, and we hope the nominees will commit to ensuring the NCUA is doing everything it can in this regard.

## **Importance of NCUA Coordinating with Other Regulators**

We stress the importance of the NCUA's continued coordination with other federal regulatory agencies. As the prudential regulator and federal insurer, the NCUA retains oversight over the vast majority of a credit union's operations. However, there are other agencies that examine and/or regulate credit union operations, such as the Consumer Financial Protection Bureau (CFPB) in regard to certain consumer financial protection laws and regulations, and the Federal Communications Commission in regard to certain consumer protections including the Telephone Consumer Protection Act. It is critical that the NCUA work closely with these and all agencies affecting credit union operations.

## Conclusion

The National Credit Union Administration plays a critical role in ensuring the safety and soundness of the credit union system. We are grateful that the president has nominated Messrs. Harper and Hood and that you have scheduled this hearing today. On behalf of America's credit unions and their 115 million members, thank you for your consideration of our views.

Sincerely,



Jim Nussle  
President & CEO