Credit Union National Association
CUNA

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May 11, 2020

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 to express our views ahead of the hearing titled "Oversight of Financial Regulators." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

The novel Coronavirus (COVID-19) is a global pandemic. The public health crisis created by the virus has caused a historic economic disruption and crisis which has resulted in the closure of millions of businesses and the unemployment of tens of millions of Americans. We appreciate the swift response that Congress and the administration have undertaken to address the economic consequences of the pandemic. We recognize and appreciate the steps the National Credit Union Administration (NCUA) has taken under the leadership of Chairman Rodney Hood. NCUA's guidance and flexibility has helped credit unions continue to serve their members during this crisis and will be crucial as the economy recovers.

NCUA Should Be Commended for Taking Swift Action to Ensure Credit Unions Could Continue to Serve Their Members During the COVID-19 Pandemic

Uncertainty has been pervasive since the outset of the COVID-19 pandemic and continues to be one of the greatest challenges facing us now. It is impossible to forecast precisely the duration of the crisis or the depth of its economic and financial impact. For credit unions that need to remain open to serve all their members, and in a position to help those in need, the uncertainty factors into every decision they make.

Since early March, NCUA has taken several steps to help credit unions navigate this uncertainty as much as possible. NCUA's engagement with Congress, the Department of Treasury, the Small Business Administration (SBA), and other agencies has helped ensure that credit unions were included as part of the government-wide solutions to the crisis; it made helpful statements when irresponsible local journalism led to runs on credit unions in certain parts of the country; it took quick action to remove examiners from credit unions to preserve public health and help credit unions focus on their members; it issued guidance on how credit unions could conduct membership and board meetings virtually and on what it meant for a credit union to be "open" as credit unions began to close branches in the interest of public health.

We also commend the agency for the emergency rulemaking it has undertaken to help credit unions during this crisis, including an interim final rule on appraisals that relax requirements during the pandemic. NCUA also took quick action to implement the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including the expanded authorities of the Central Liquidity Facility, Congressional expectations on troubled debt restructuring, and accommodations to help credit unions participate in the SBA's Paycheck Protection Program.

Attached to this letter are several letters CUNA has sent to the NCUA since the beginning of the crisis. We appreciate NCUA's consideration of credit unions' concerns and the work it has undertaken to address these concerns.

Notwithstanding the breadth and depth of the action NCUA has taken so far to help credit unions weather this crisis, more needs to be done. We take this opportunity to highlight several areas where NCUA and Congress should take action to ensure that credit unions remain in a position to serve their members during this crisis and into recovery.

NCUA Has Additional Policy Levers It Should Pull

Prompt Corrective Action (PCA)

While the credit union industry is in the aggregate well-capitalized with over an 11% net worth leverage ratio, many credit unions are concerned with PCA requirements contained in both the Federal Credit Union Act (FCUA) and prescribed in the NCUA's regulations. These PCA requirements typically trigger and prescribe NCUA examiner intervention when certain PCA-defined net worth leverage ratio levels are reached.

In this pandemic-driven, abnormal economic situation, when consumer loans are being deferred or going into forbearance and other factors such as influxes of savings deposits or elevated charge-offs are occurring that can affect PCA net worth leverage ratios, we urge the NCUA to review its existing PCA regulations and offer forbearance to credit unions that may temporarily fall between the 6% and 7% net worth leverage ratio. This approach is consistent with the spirit of previous interagency guidance distributed to all insured depository institutions and would clearly reflect bipartisan Congressional intent to move the economy and the financial system to the other side of the crisis with as little disruption as possible.

CUNA strongly encourages the NCUA to use its regulatory flexibility powers to issue updated examiner guidance that clarifies the agency will grant the maximum regulatory flexibility it has available for handling credit unions that may, due to the crisis, fall into the 6% to 7% PCA range, and that examiners will not intervene with credit unions until they reach the 6% PCA net worth leverage ratio threshold, which we understand has actions directly prescribed in the FCUA. This change would be a temporary regulatory approach adopted by the agency because of and during the COVID-19 crisis and reversed when the pandemic ends and the economy is well into recovery.

Risk-Based Capital (RBC)

While CUNA has always maintained that the NCUA's RBC rules are unnecessarily burdensome for credit unions and a solution in search of a problem, we believe this position is particularly evident given current times. As the NCUA examines its requirements and approach moving forward, we encourage the agency to further delay the RBC effective date to, at earliest, January 1, 2023. In addition, we support a threshold increase for RBC compliance from $500 million to $10 billion in assets.

Supervision Flexibility

The NCUA should understand and consider credit unions' good-faith efforts regarding Regulation B (Equal Credit Opportunity Act) notices for new credit products intended to assist members during the pandemic. Due to limited staff and resources and increased mortgage lending volume, credit unions may need greater flexibility in providing adverse action notices and notices of incompleteness within the required time period. We urge the NCUA to consider the barriers credit unions are currently facing when they are later examined for these and other consumer disclosure requirements.

Payday Alternative Loans (PAL)

We ask the NCUA to issue an interim final rule on PALs to ensure credit unions have the flexibility necessary to meet members' needs during the COVID-19 pandemic. Specifically, we support a rule eliminating the requirement that a borrower be a member of the credit union for at least one month before receiving a loan under NCUA's PAL I program. (In contrast, the one-month membership requirement does not exist for the recently adopted PALs II program.)

We believe, in this instance, the agency has good cause to bypass the Administrative Procedure Act's notice and comment requirement and issue an interim final rule, because the rulemaking would be made in response to an emergency situation. We believe the mandated waiting period for PALs I is unnecessary and, given the fast-moving nature of the current crisis, could ultimately hinder the ability of new credit union members to access the full suite of small-dollar loans available to meet their needs. This action would be consistent with the spirit of the March 26, 2020, joint statement by the federal financial regulators encouraging financial institutions to work with borrowers and offer responsible small-dollar loans.

Congress Should Pursue Policy that Helps Credit Unions Serve Their Members During the Crisis and Into Recovery

The CARES Act has been instrumental in helping consumers directly and aiding credit unions as they continue to serve their members. However, there are several additional changes that could be implemented to further help credit unions and their millions of members during this challenging time.

Central Liquidity Facility (CLF)

We appreciate the NCUA's support for the provisions contained in the CARES Act related to the improved operation and accessibility of the CLF to credit unions, including allowing corporate credit unions to act as agents for natural person credit unions and expanding the CLF's borrowing authority from 12 times the paid in capital to 16 times. These changes increase accessibility of the CLF to credit unions and expand the amount of liquidity NCUA can provide credit unions.

However, these measures are set to sunset at the end of 2020. Given the unprecedented nature and the depth of this pandemic and the subsequent economic crisis, CUNA urges Congress to expand the CLF's borrowing authority to 25 times the paid in capital, extend the expanded borrowing authority until December 31, 2021, and make permanent the ability of corporate credit unions to act as agents for credit unions. Congress should take steps to ensure the long-term viability of the CLF so it can help credit unions in future crises. We urge the NCUA to support these legislative changes as well.

Prompt Corrective Action (PCA)

As noted above, we encourage the NCUA to use its existing authority to provide regulatory flexibility to credit unions that may fall into the 6% to 7% PCA range, and to direct examiners to not intervene with credit unions until they reach the 6% PCA net worth leverage ratio threshold.

While these actions would be helpful, we believe Congress can also take action to aid credit unions in the area of PCA. Thus, we ask Congress to temporarily reduce the level at which credit unions are considered well capitalized from a net-worth ratio of 7% to 6% and adequately capitalized from 6% to 5% during the pandemic.

Small Business Lending

We urge Congress to exempt credit union business loans from the member business lending cap until one year after the end of the COVID-19 emergency declaration. This is simply commonsense: it is in everyone's interest that all deployable business credit is available to small businesses during the recovery.

While there are many ways that credit unions can manage the member business lending cap, those techniques ultimately slow the delivery of small business credit from the credit unions with the most business lending experience. Exempting business loans from the cap during this time would provide credit unions what they need to take the capital they have and loan it responsibly to the small businesses in need.

Senator Wyden has announced his intention to introduce such a bill and we hope Congress will include this no cost policy option in upcoming recovery legislation.

Conclusion

On behalf of America's credit unions and their 115 million members, thank you for holding this important hearing.

Sincerely,

Jim Nussle
President & CEO

Attachments:

- Letter to NCUA Chairman Rodney Hood – April 8, 2020
- Letter to NCUA Chairman Rodney Hood – March 24, 2020
- Letter to NCUA Chairman Rodney Hood – March 12, 2020

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April 8, 2020

The Honorable Rodney E. Hood
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Chairman Hood:

On behalf of the Credit Union National Association (CUNA), I am writing to follow up on our recent communications regarding the COVID-19 crisis and our letters of March 12, 2020, March 24, 2020, and March 26, 2020, regarding possible NCUA actions to alleviate the impact of COVID-19 on credit unions and their members.

First, we want to thank you for responding to feedback received from CUNA, state credit union leagues, and credit unions. We appreciate the NCUA's willingness, under your leadership, to understand and assist credit unions during this time. In particular, we were pleased with your statement during the NCUA's March 31, 2020, webinar that, "If a credit union needs to make policy adjustments to meet the needs of borrowers who are facing stress, [NCUA] want[s] to give … the flexibility…"[1] We also are grateful for your statement that NCUA will work with credit unions "[i]f a credit union deems it prudent to ease loan terms to help members through a difficult time."[2] CUNA looks forward to collaborating with NCUA as it helps credit unions effectively serve members during this volatile economic time.

As part of our efforts, we have engaged with credit unions of all sizes throughout the country to collect feedback on the top issues they are currently experiencing. Based on this feedback, we have the following policy recommendations the NCUA should consider in its efforts to help credit unions. This feedback supplements CUNA's previous communications with you, other members of the NCUA Board, and NCUA staff.

Notice for Annual Meetings

CUNA appreciates the NCUA's flexibility in allowing virtual annual meetings for credit union members. It would also help credit unions if the NCUA allowed for greater flexibility in providing notice of annual meetings that are postponed or changed to a virtual annual meeting. We encourage NCUA to provide guidance that will allow credit unions to utilize electronic methods for notices even if a member has elected to receive paper notices. This clarification will relieve burden and cost for credit unions at this time.

Capitalizing Interest on Mortgage Loans

CUNA has heard from credit unions that it would help members if the NCUA would allow interest to be capitalized on consumer mortgage loans, in connection with a loan modification. This would be consistent with the requirements

[1] National Credit Union Administration, *NCUA Chairman Rodney E. Hood Remarks During the NCUA's Webinar on COVID-19* available at https://www.ncua.gov/newsroom/speech/2020/ncua-chairman-rodney-e-hood-remarks-during-ncuas-webinar-covid-19 (last visited Apr. 6, 2020).
[2] Ibid.

of Fannie Mae and Freddie Mac. Credit unions that already provide loans sold to Fannie Mae and Freddie Mac will re-amortize the loans with capitalized interest during the modification. We urge NCUA to permit credit unions to modify loans in the same manner as those sold to Fannie Mae and Freddie Mac.

Residential Real Estate Appraisals

We have heard from credit unions that it is difficult to comply with residential real estate appraisal requirements because appraisers do not want to enter and examine residences due to the risk of COVID-19 exposure. We have also heard that some states, such as Pennsylvania, are not considering the appraisal service to be an essential business pursuant to stay-in-place orders, which is greatly limiting the appraisals that can take place. We encourage the NCUA to modify its appraisal requirements so they are consistent with the requirements provided by FHFA.

Furthermore, as expressed in our letter on March 24, 2020, we urge the NCUA to quickly finalize the Proposed Rulemaking for Part 722-Real Estate Appraisals, increasing the threshold level below which appraisals would not be required for residential real estate-related transactions from $250,000 to $400,000. This rule would provide additional relief to credit unions as they process the increasingly large number of purchase and refinance loans received this last couple of months. Given the increase in mortgage loan volume combined with limited staff resources due to COVID-19, increasing the loan threshold to match what the banks currently have would be especially helpful for credit unions.

Payday Alternative Loans

NCUA's Payday Alternative Loan (PAL) regulation specifies the maximum term permitted for these loans: 6 months for PAL I and 12 months for PAL II. In some instances, a member borrowed a PAL prior to the crisis at the maximum term permitted and now, as a result of a change in their financial situation, the member is seeking options to amend their loan. CUNA recommends the agency provide credit unions the ability to work with PAL borrowers to refinance these outstanding loans into other low-cost emergency credit products or potentially extend the term of the loan beyond the regulatory limit.

NCUA Should Be Flexible with Supervision

Based on 2019 credit union call report data, about one-third of credit unions currently operate with five or fewer full-time equivalent (FTE) employees, and about half of all credit unions operate with 10 or fewer FTEs. Because of these limited resources at this critical time, some credit unions may experience a declining return on assets (ROAs), particularly smaller credit unions with limited staff or lacking the technology for staff to work at full or part capacity remotely. The NCUA must be understanding of the environment credit unions are in today and will be in throughout the year.

CUNA encourages the NCUA to adjust examination guidelines to provide credit unions with greater flexibility. Specifically, NCUA should understand and consider credit unions' good-faith efforts regarding Regulation B (Equal Credit Opportunity Act) notices for new credit products intended to assist members during the pandemic. Due to limited staff and resources and increased mortgage lending volume, credit unions may need greater flexibility in providing adverse action notices and notices of incompleteness within the required time period. NCUA should consider the barriers credit unions are currently facing when they are later examined for these and other consumer disclosure requirements.

Central Liquidity Facility

We appreciate the NCUA's support for the provisions contained in the CARES Act related to the improved operation and accessibility of the Central Liquidity Facility (CLF) to credit unions, including allowing corporate credit unions to now act as agents of subgroups of their membership. We urge the NCUA Board to expeditiously adopt any needed rule changes to ensure the CLF's borrowing authority and membership parameters conforms to the CLF provisions passed in the CARES Act.

<u>Capital/Liquidity Management</u>

Capital, liquidity management, and loan loss replenishment will all be vitally important as the pandemic continues in the coming months. For example, credit unions are doing their part to help Americans by making Payment Protection Program loans to small businesses. However, even though these loans are risk free as a result of the PPP's 100% government guarantee, a credit union making a large number of loans could run into liquidity problems. Further, deposits from the Economic Impact Payments, which are expected to start soon, could cause credit unions to have diminished capital and trigger NCUA's net-worth restoration requirements.

NCUA should be mindful of overly prescriptive solutions to these problems that could ultimately cause greater regulatory burden for credit unions.

<u>National Credit Union Share Insurance Fund</u>

As you are aware, policymakers in the Administration and Congress are urging financial institutions, including credit unions, to do all they can to help their customers/members affected by the COVID-19 pandemic. The resulting economic hardships affecting credit unions' members today were directly caused by federal or state government-ordered or suggested policies to prudently address the health crisis, and these have negatively affected our country's business operations which otherwise operated in good economic conditions. The credit union system is well-capitalized, and it is in economic contraction times like these that this healthy credit union capital level should do its work as credit unions step up to help economically distressed members.

Just as aggregate credit union net worth will be under pressure from this pandemic health care crisis that is in turn causing an economic crisis, the current National Credit Union Share Insurance Fund (NCUSIF) equity ratio will too likely be under downward pressure as the year progresses, due to factors such as fast growth in insured shares and lower yields on NCUSIF investments due to lower market interest rates.

Fortunately, as of December 2019, the $16.7 billion NCUSIF, like credit unions, is well-capitalized. The NCUSIF's current equity ratio of 1.35% is above the traditional, historical Board-set 1.3% equity ratio, with a buffer above the 1.2% equity floor level set by Congress that would mandate industry assessments.

We strongly urge the NCUA to let the NCUSIF capital do its work throughout the crisis period. If the NCUSIF equity ratio drifts downward as expected, NCUA should avoid compounding any capital stresses credit unions may experience this year due to the crisis by deferring any potential 2020 NCUSIF premium assessment.

<u>Risk-Based Capital (RBC)</u>

While CUNA has always maintained that NCUA's risk-based capital (RBC) rules were unnecessarily burdensome for credit unions and a solution in search of a problem, we believe this position is particularly evident given current times. As NCUA examines its requirements and approach moving forward, we strongly encourage the agency to further delay the RBC effective date to, at earliest, January 1, 2023.

In addition, we support a threshold increase for RBC compliance from $500 million in assets to $10 billion in assets. A $10 billion threshold would align with the eligibility for supervision under the NCUA's Office of National Examinations and Supervision, as well as the threshold for supervision under the Consumer Financial Protection Bureau. Even at a $500 million asset credit union, RBC compliance will be an additional layer of regulatory compliance filings that removes personnel from helping members during the hopeful recovery from this crisis. Evaluation of these requirements is especially critical at this time.

Regulation D Transfer & Withdrawal Limits

CUNA has repeatedly asked the Board of Governors of the Federal Reserve System (Federal Reserve) to increase or waive the Regulation D (Reserve Requirements of Depository Institutions) six convenient transfer limit for savings accounts.[3] Credit unions have long believed that the six-transfer limit is outdated, unnecessary, and confusing to consumers. Now with shelter-in-place and stay-at-home orders for many Americans to help fight the spread of COVID-19, consumers more easily run afoul of the limit as they make transfers electronically, which count against the limit, instead of in person, which do not count against the limit.

The Federal Reserve published "Frequently Asked Questions" addressing the impact of the changes to the reserve requirements.[4] FAQs Q.7. through Q.14. specifically relate to the impact of the elimination of reserve requirements upon the six convenient transfer limit and detail steps a credit union must take to bypass the transfer and withdrawal limit that remains. Unfortunately, the change to the reserve requirement as detailed in the FAQs does not adequately address CUNA's request to remove the six-transfer limit, which remains in § 204.2(d). The FAQs do give credit unions a path to eliminate the transfer limit but the process is more complex and burdensome than if the Federal Reserve had removed the transfer limits from § 204.2(d). CUNA wrote to the Federal Reserve's Chairman Powell, in a March 30, 2020 letter, and noted other burdensome issues with its method of removing transaction limits, which included the following:

- Credit unions will likely need to provide members with new account disclosures if they re-designate savings accounts as transaction accounts;
- Core processing systems will require updates to change account reporting to generate FR 2900 reports that reclassify accounts, which will be difficult and time-consuming to make at this time;
- Credit unions will have difficulty notifying and explaining changes to consumers during the current challenging operating environment.

CUNA believes credit unions need a less burdensome solution, which is why we continue to pursue the elimination of the transfer and withdrawal limit in § 204.2(d). We encourage NCUA to share this credit union concern in communications with the Federal Reserve.

Again, thank you for listening and being responsive to our concerns. We welcome the continued dialogue with NCUA. Please contact me if you have questions or would like to discuss these recommendations further.

Sincerely,

Jim Nussle
President & CEO

[3] 12 CFR Part 204.
[4] *See* The Fed. Reserve, *Reserves Central—Reserve Account Administration Application Frequently Asked Questions*, https://www.frbservices.org/resources/central-bank/faq/reserve-account-admin-app.html (last visited Apr. 6, 2020).

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99 M Street SE
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March 24, 2020

Chairman Rodney Hood
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Chairman Hood:

On behalf of the Credit Union National Association (CUNA), I am writing to follow up on our recent communications regarding the COVID-19 crisis and CUNA's letter sent on March 12, 2020, regarding possible NCUA actions to alleviate the impact of COVID-19 on credit unions and their members.

Thank you for responding to feedback received from CUNA, state Leagues, and credit unions. NCUA's efforts in providing credit unions with more flexibility in conducting virtual board and annual meetings, and in its recent *Interagency Statement on Loan Modifications and Reporting by Financial Institutions Working with Customers Affected by the Coronavirus,* highlight the agency's willing leadership during a critical and complex time.

As today's economic environment is rapidly changing and bringing new challenges, CUNA appreciates the NCUA Board and staff willingness to promptly address feedback received from the industry. We understand the necessity in communicating information to NCUA as we receive it, and we appreciate the agency's openness and responsiveness to these efforts.

Based on information CUNA received from state Leagues and credit unions in the last few days as COVID-19 continues to affect the economy and credit union members, we have the following additional recommendations on immediate actions NCUA can take to alleviate burden on the industry. These recommendations supplement the feedback and recommendations we communicated to NCUA the past couple weeks.

FASB's CECL Standard

We urge NCUA to send a letter to the Financial Accounting Standards Board (FASB) asking it to suspend implementation of its Current Expected Credit Loss (CECL) standard for at least one year, until January 2024, at the very minimum. CUNA sent a similar letter to FASB on March 18, 2020.

- A letter asking FASB to further delay CECL implementation was also sent by Representatives Brad Sherman (D-CA), Vincente Gonzalez (D-TX), Josh Gottheimer (D-NJ), and Blaine Luetkemeyer (R-MO) on March 20, 2020.
- Another letter was sent to FASB asking for a CECL delay and suspension on March 23, 2020, by Gregory Meeks (D-NY) and Blaine Luetkemeyer (R-MO).
- Furthermore, the Federal Deposit Insurance Corporation (FDIC) Chairman Jelena McWilliams sent a letter on March 19, 2020 asking for changes to CECL for banks.

Proposed Rulemaking for Part 722-Real Estate Appraisals

We urge NCUA to expedite the finalization of the Proposed Rulemaking for Part 722-Real Estate Appraisals, increasing the threshold level below which appraisals would not be required for residential real estate-related transactions from $250,000 to $400,000. As you might imagine, full appraisals are a difficult service to obtain now and increasing the threshold to match what the banks currently have would be especially helpful for credit unions.

Suspend Previously Scheduled Onsite Examinations & Data Collections

We urge NCUA to publicly suspend all routine previously scheduled onsite examinations and data collections for at least 120 days unless there is an immediate need. This extension should include deadlines for submitting call report data or other examination-related information, unless this data is critically necessary to monitor the health of an individual credit union. NCUA Regional Directors should provide resources to credit unions while credit unions focus on their role as critical infrastructure providers.

Guidance on Real Property Inspections

We encourage the NCUA to provide guidance regarding how credit unions should respond to COVID-19 related issues regarding real property inspections, and what arrangements can be made if property owners do not want to permit access to their property due to COVID-19 concerns.

Low-Income Credit Union Designation

We urge the NCUA to consider changes to the Low-Income Credit Union (LICU) designation. Currently PO boxes are included in the count for membership but are not counted for income purposes, meaning that PO boxes negatively impact the ability to qualify for the designation. In most cases, credit unions can find physical addresses for members with PO boxes so these members are included in the count for LICU purposes. However military designated PO Boxes (FPO, APO, DPO) are generally members who do not have a permanent address other than their military PO Box. Because most enlisted military members living on base make below 80% of the median income, we believe they should count and be included in the LICU designation as LICU members in the same way that an address is included based on census tract data.

We also suggest NCUA base the LICU designation on an area's unemployment. Unemployment is an excellent indicator of economic distress of a population. If the COVID-19 pandemic does have a major impact on the economy, unemployment could rise to high levels. Allowing the LICU designation to be based on unemployment would be another way for credit unions to offer critical financial services to Americans in need. The NCUA could allow a credit union to be designated a LICU for a certain fixed period of time after unemployment in the credit union's field of membership reached the 10% threshold.

These changes can be made by NCUA within its current regulatory authority and would allow more credit unions to become LICUs, which is especially critical at this time.

Establish Frequently Asked Questions for Credit Union Members Affected by COVID-19

We strongly encourage NCUA to publish on the front page of its website, and distribute through social and other media channels, a "Frequently Asked Questions for Credit Union Members Affected by COVID-19" document. This document could include information for members regarding deposit insurance for credit union accounts, the safety of credit union deposits, how members may contact the NCUA with any questions, how funds can be wired to relatives or friends affected by COVID-19, how personal financial information should be protected against fraudulent activity, how members' credit scores may be affected during the COVID-19 crisis, what steps members may take to prevent identity theft, and any other guidance for credit union members at this time.

Update "Frequently Asked Questions Regarding COVID-19, NCUA and Credit Union Operations"
Finally, we urge NCUA to update its "Frequently Asked Questions Regarding COVID-19, NCUA and Credit Union Operations" document as it makes changes to its policies and procedures. Listing agency actions and updated interpretations in one document is helpful to credit unions as they navigate through the changes. We also ask that NCUA highlight this FAQ document prominently on the front page of its website, so it is easily noticed and accessible.

Again, thank you for your support and quick responsiveness at this time. Please contact me if you have questions or would like to discuss these recommendations further.

Sincerely,

Jim Nussle
President & CEO

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99 M Street SE
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March 12, 2020

Chairman Rodney Hood
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Chairman Hood:

On behalf of America's credit unions, I am writing to suggest steps the National Credit Union Administration (NCUA) should consider to alleviate the financial strain and consumer disruption being caused by the coronavirus. The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

We anticipate the challenges facing credit unions and their members will get worse before they get better, as it is clear we are in the early stages of this public health issue. The coronavirus has already and will continue to strain the broader economy. However, as often in the time of such challenges, there is an opportunity for credit unions to exemplify pro-consumer financial services.

We appreciate the statement issued earlier this week by the NCUA and other federal financial regulators encouraging financial institutions to meet the financial needs of customers and members affected by the coronavirus. We offer below several specific areas where the NCUA can ease the challenges facing credit unions during this time.

Examination Cycle Flexibility

In the joint statement noted above, the NCUA recognizes that credit unions may face current staffing and other challenges. We appreciate the NCUA's statement that it will work with affected financial institutions in scheduling examinations to minimize disruption and burden.

While many credit union employees are capable of—and many currently are—working remotely, NCUA examinations as well as those by state supervisory authorities often require credit union staff to be on site with examiners. Aside from advisements by health professionals in certain areas to limit direct contact, situations where staff are required to be on site can be challenging for a variety of reasons. For example, the rate of school closures continues to rise, requiring parents to be home with children in many instances.

Therefore, consistent with the NCUA's joint message, we ask the agency to provide additional information explicitly detailing that credit unions have flexibility in the number and/or type of individuals required to be on site during an examination, as well as flexibility in delaying an examination altogether.

Capital Forbearance

The impact on consumers from the coronavirus is much broader than just those directly sickened by the virus. Consumers may be required to stay home with sick children or children whose schools are closed or operating remotely. Some in industries hardest hit by the disruption may be temporarily out of work and without a paycheck as demand for their service industry weakens. Others, particularly small business owners, may experience a significant decrease in income directly related to their business. These types of scenarios may make it challenging for members to make timely personal, credit card, automobile, small business, or other loan related payments.

We ask the NCUA to provide flexibility in its assessment of those credit unions experiencing financial challenges as a result of the coronavirus. As noted above, the strain on members, and therefore credit unions, is much broader than those directly affected. Members in states and regions with little or no confirmed cases of the coronavirus can be significantly impacted financially by the situation. We ask the NCUA to pursue Prompt Corrective Action forbearance in appropriate situations. The agency has employed such supervisory flexibility in other significant disruptions, such as the aftermath of Hurricane Katrina. We urge it to use all appropriate tools available.

Virtual Board and Membership Meeting Guidance

Unique to credit unions, the volunteer board of directors and annual membership meetings are a critical part of credit union governance. The Federal Credit Union Act provides strict requirements on when and how a credit union board must meet; it also provides requirements for an annual meeting of the credit union membership. While some board meetings may be conducted by conference call, some board meetings as well as membership meetings must be in person, which can be challenging in any environment.

We ask the NCUA to provide guidance on virtual board meetings and whether membership meetings scheduled during this crisis could be conducted virtually. While necessary now more than ever, such guidance will be useful at all times rather than just during the current disruption. The NCUA should detail how and when a credit union can utilize virtual meetings.

Conclusion

On behalf of America's credit unions and their 115 million members, thank you for considering our suggestions on how to accommodate credit unions and their members during this challenging time. If you have questions about our comments, please do not hesitate to contact me.

Sincerely,

Jim Nussle
President & CEO