Credit Union National Association
CUNA

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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, March 26, 2020, April 8, 2020, and April 17, 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 credit union leagues, and credit unions. The NCUA's actions at the April Board meeting and the recent approval of interim final rules regarding credit unions' ability to provide the Small Business Administration's Paycheck Protection Program (PPP) loans were welcome developments for credit unions. Furthermore, we appreciate the recent outreach from NCUA Board Members and staff to credit unions, state leagues, and CUNA committees. This stakeholder outreach is critical to comprehending the current economic environment and credit unions' roles as financial first responders.

CUNA continues to engage with credit unions of all sizes throughout the country to collect feedback within the industry. Based on recent communications with credit unions, we have the following policy recommendations for the NCUA to consider. These comments supplement CUNA's previous communications with you, other members of the NCUA Board, and NCUA staff.

Central Liquidity Facility

We appreciate the NCUA's support for the provisions contained in the Coronavirus Aid, Relief, and Economic Security (CARES) Act related to the improved operation and accessibility of the Central Liquidity Facility (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 could provide credit unions. As you are aware, these measures sunset at the end of 2020.

Given the unprecedented nature and the depth of this pandemic and the subsequent economic crisis, CUNA is urging 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 NCUA to support these legislative changes as well.

Prompt Corrective Action

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 Prompt Corrective Action (PCA) requirements contained in both the Federal Credit Union Act (FCUA), as well as prescribed in NCUA 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 to do forbearance on credit unions that may temporarily fall between the 6% and 7% net worth leverage ratio. This would be entirely consistent with the spirit of previous interagency guidance distributed to all insured depository institutions, and it would clearly reflect bipartisan congressional intent to get the economy and the financial system to the other side of the crisis with as little disruption as possible.

While the direct effect of the pandemic on credit union financial statements will not be completely evident until second quarter 5300 Call Report data is available in mid-summer, credit unions already understand that our current national economic situation may temporarily push net worth leverage ratios downward. This is the direct result of COVID-19-related federal, state, and local government mandates affecting business and consumers alike.

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.

Paycheck Protection Program Forgiveness Guidelines

Credit unions are eager to provide Paycheck Protection Program (PPP) loans through the Small Business Administration's new program. CUNA has received many inquiries from credit unions that are concerned with the lack of guidelines on PPP loan forgiveness. Credit unions must receive assurances that they are following correct lending processes, procedures, and documentation to ensure the loans will be forgiven. We urge NCUA to work with SBA to provide this guidance to credit unions so they may continue to actively provide PPP loans.

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

Sincerely,

Jim Nussle
President & CEO