

July 24, 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 as follow-up to our recent letter outlining credit union priorities in the upcoming COVID recovery legislation. In addition to the issues we raised in that letter, we would like to draw your attention to the need for the National Credit Union Administration (NCUA) to have additional authority to adjust capital requirements for credit unions impacted by crisis. Credit Union National Association represents America's credit unions and their 115 million members.

Credit union capital requirements are different than bank requirements in several respects, including that only retained earnings count as Tier I capital for credit unions and thresholds for credit union capital levels are hardwired into statute. These limitations restrict NCUA in its ability to provide accommodations to otherwise healthy credit unions impacted by natural disaster, pandemic and other crises.

As Congress considers addition pandemic recovery legislation, we encourage you to include language that provides temporary flexibility to NCUA to offer forbearance from prompt corrective action credit unions impacted by the pandemic and which were otherwise healthy prior to the onset of the crisis. While credit unions entered the crisis extremely well-capitalized, the impact of the ensuing economic crisis has and will put stress on capital and, given credit unions' limited ability to raise capital, the regulator could use additional tools.

Given that a statutory change is required and legislative vehicles are scarce, we urge you to include language on the upcoming recovery bill, and we have drafted the following language intended to give the regulator the authority to use such flexibility on a case-by-case basis.

SEC. ____ . FLEXIBILITY IN CAPITAL AND NET WORTH STANDARDS FOR CREDIT UNIONS.

- (a) In General.--Notwithstanding section 216 of the Federal Credit Union Act, or any other provision of Federal law, during the 18-month period beginning on the date of enactment of this Act, the National Credit Union Administration may forbear from taking any action required under any such section or provision, on a case-by-case basis, with respect to any undercapitalized insured credit union that is not significantly or critically undercapitalized, if such Administration determines that--*
- (1) the insured credit union was at least adequately capitalized as of March 1, 2020;*
 - (2) the reduction in the capital or net worth category of the insured credit union is attributable to the impact of the coronavirus disease 2019 (COVID-19) pandemic; and*
 - (3) forbearance from any such action--*

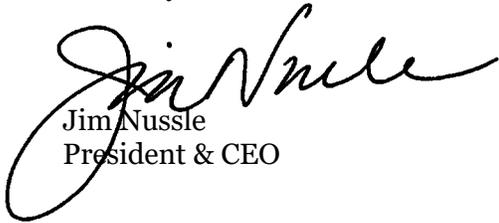
- (A) would facilitate the recovery of the insured credit union from the disaster in accordance with a recovery plan or a capital or net worth restoration plan established by such credit union; and
- (B) would be consistent with safe and sound practices.

(b) Capital and Net Worth Categories Defined.--For purposes of this section, the terms relating to capital categories for insured credit unions have the same meaning as in section 216(c)(1) of the Federal Credit Union Act.

The CARES Act included capital flexibility for other insured depository institutions to weather this crisis. It is important that Congress take steps to ensure that the credit union regulator has the tools it needs to help credit unions impacted by the crisis continue to serve their members.

On behalf of America's credit unions and their 115 million members, thank you for your consideration.

Sincerely,



Jim Nussle
President & CEO