Credit Union National Association
CUNA

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June 29, 2020

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: RIN 3133-AF19: Temporary Regulatory Relief in Response to COVID–19—Prompt Corrective Action

Dear Mr. Poliquin:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments to the National Credit Union Administration (NCUA) in response to the interim final rule with request for comment on amendments to the agency's prompt corrective action (PCA) regulation. CUNA represents America's credit unions and their 115 million members.

We appreciate the NCUA's tireless work throughout the COVID-19 pandemic. The publication of this interim final rule on temporary revisions to PCA was made in response to the potential PCA challenges credit unions may face during this pandemic and the resulting economic crisis. This rule is an excellent example of the agency carefully listening to credit unions and adjusting regulations appropriately in response to credit unions' needs so they may best serve their members, many of whom need their credit unions' help now more than ever.

The COVID-19 pandemic creates unique challenges for all types of businesses, and credit unions are no exception. Credit unions have seen a historic influx of share growth due to a variety of factors. This rise in shares is in part caused by federal government stimulus payments to members, as well as by "flights to safety" as some credit union members transfer funds from riskier investments to take advantage of the federal deposit guarantee offered by the National Credit Union Share Insurance Fund (NCUSIF). As the agency is keenly aware, excessive deposit influx can put downward pressure on a credit union's net worth ratio as defined under the statutory requirements in 12 U.S.C. 1790d.

We believe the NCUA Board's proposed temporary PCA changes provide both NCUA staff and credit unions with additional necessary flexibility, while adhering to the statutory requirements set forth in the Federal Credit Union Act.

Section 1790d requires a framework of both mandatory and discretionary supervisory actions indexed to five statutory net worth categories and creates mandatory agency actions for credit unions in each net worth category. NCUA does not have the ability to adjust net worth categories, even during an economic crisis. The statute also requires NCUA to develop discretionary actions when certain PCA triggering thresholds are met, which is the focus of this proposed interim final rule.

CUNA strongly supports the two proposed changes to PCA requirements made in the interim rule. First, CUNA supports NCUA's temporary change to the Section 702.201 earning retention requirement, as it allows credit unions more flexibility if they fall to the PCA "adequately capitalized" level due to unhistorical, abnormal share deposit influxes. This amendment changes the existing requirement for an "adequately capitalized" credit union to increase the dollar amount of net worth by a specified amount until the credit union becomes "well-capitalized," and instead provides a blanket waiver by the NCUA Board of the earnings retention requirement for all "adequately capitalized" credit unions.

Second, CUNA supports the NCUA Board's proposal to temporarily waive net worth restoration plans under existing PCA requirements for credit unions that become "undercapitalized" primarily as the result of share deposit growth. The proposed rule still contains a requirement that a credit union may submit a significantly simpler net worth restoration plan to its Regional Director that details that the credit union fell to the "undercapitalized" PCA level because of atypical share deposit growth that put downward pressure on their net worth ratio. This change is reasonable, as it reduces the burden on credit unions that have reduced net worth capital ratios primarily because of share deposit growth during the pandemic.

Additionally, we respectfully suggest that the NCUA Board consider not prematurely setting a specific end date of these temporary relief measures. We recommend instead that the NCUA Board extend these temporary PCA measures until the end of the COVID-19 pandemic as determined by the Centers for Disease Control or other Federal entity authorized to make such a determination or no earlier than 2022 (whichever comes first). This would help ensure these important and prudent PCA relief measures are available throughout the pandemic and it's resulting economic turbulence and volatility, and do not expire at an arbitrary date that may require change again by the Board in the future.

Again, we commend the agency's willingness to take these reasonable and prudent steps to provide additional PCA program response flexibility as credit unions rise to meet the challenge of serving their members during these challenging times.

If you have questions about CUNA's comments, please feel free to contact me at 202.508.6705.

Sincerely,

Lance Noggle
Senior Director of Advocacy and Senior Counsel for Payments & Cybersecurity