



Jim Nussle
President & CEO

Phone: 202-508-6745
jnussle@cuna.coop

99 M Street SE
Suite 300
Washington, DC 20003-3799

January 28, 2021

The Honorable Todd Harper
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Chairman Harper:

On behalf of America's credit unions, I am writing today to send my sincerest congratulations to you on your appointment as Chair of the National Credit Union Administration (NCUA) Board, and to offer my thoughts on important policy issues. The Credit Union National Association (CUNA) and our members look forward to working with you in your capacity as Board Chair, and we continue to offer our resources to you in your new capacity. CUNA represents America's credit unions and their 120 million members.

We appreciate your transparency in identifying your top policy priorities: capital and liquidity, consumer financial protection, cybersecurity, and diversity, equity, and economic inclusion. These priorities are also of utmost importance to CUNA, our member credit unions, and their consumer-members. We are excited to work with you and the agency in advancing such laudable objectives.

Temporary Asset Thresholds

I would like to reiterate¹ my call that the NCUA continue its diligence toward helping credit unions effectively serve members by providing additional relief consistent with the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation (banking agencies) interim final rule regarding temporary asset thresholds.² The banking agencies' interim final rule will allow banks, through December 31, 2021, to determine applicability of certain asset-based regulatory thresholds using asset data as of December 31, 2019, if the bank's assets as of that date were less than its assets on the date as of which the applicability of a given threshold would normally be determined.

Credit unions have been instrumental in providing products and services to consumers and communities in response to COVID-19, and like banks, have experienced balance-sheet growth as a result of the pandemic and the government's response. Also, credit unions are subject to a

¹ CUNA Letter to NCUA Board re Temporary Asset Thresholds (Dec. 22, 2020), *available at* https://www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls,_Letters_and_Testimonies/2020/Comment_Letters/Letter%20to%20NCUA%20re%20Temporary%20Asset%20Thresholds%2012.22.2020.pdf.

² Interim Final Rule, Temporary Asset Thresholds, request for public comment, 85 Fed. Reg. 77,345 (Dec. 2, 2020).

wide range of statutory requirements, regulations, and reporting requirements based on their risk profile and asset size. Due to the COVID-19 pandemic and balance sheet growth as a result of new COVID-related policies, there are credit unions that could be subject to additional regulatory or reporting requirements in 2021 because they are temporarily pushed over an asset-size threshold for compliance.

CUNA strongly urges the NCUA to address this issue immediately as the banking agencies have and publish an interim final rule for credit unions that will allow them to use 2019 asset-size data for regulatory requirements through the end of 2021, so they will not be required to comply with new regulatory or reporting requirements until the beginning of 2022, at the earliest.

The NCUA Should Quickly Review Pending Rulemakings

The NCUA Board discussed several important issues during its December 2020 and January 2021 open meetings. As you know, these proposals were under development for several months but were unable to be included in Board agendas until later in the calendar year. Moving forward, we support the NCUA Board's expeditious review of all pending issues, including six recently proposed rulemakings below. Credit unions must have streamlined and flexible regulations so they can effectively serve members during and after this critical time.

Specifically, the agency issued the following proposals:

- *Credit Union Service Organizations (Part 712)*: This proposal would expand the list of permissible activities and services for credit union service organizations (CUSOs) to include originating any type of loan that a federal credit union (FCU) may originate. The proposal would also grant the NCUA additional flexibility to approve permissible activities and services.
- *Field of Membership Shared Facility Requirements (Part 701, Appendix B)*: This proposal would amend the chartering and field of membership (FOM) rules to modernize requirements related to service facilities for multiple common bond FCUs. The proposal would amend the rules to include any shared branch, shared ATM, or shared electronic facility in the definition of "service facility" for an FCU that participates in a shared branching network.
- *Mortgage Servicing Rights (Parts 703 & 721)*: This proposal would amend the NCUA's investment regulation to permit FCUs to purchase mortgage servicing rights from other federally-insured credit unions under certain conditions.
- *Overdraft Policy (Part 701)*: This proposal would amend one of the requirements that an FCU must adopt as a part of its written overdraft policy. Specifically, the proposal would replace the 45-day limit within which a member must rectify an overdraft with a more flexible approach, permitting such action be taken within a reasonable period of time.
- *CAMELS Rating System (Parts 700, 701, 703, 704, & 713)*: This proposal would add the "S" (Sensitivity to Market Risk) component to the existing CAMEL rating system and redefine the "L" (Liquidity Risk) component. The proposed addition of the "S" component is intended to enhance transparency and allow the NCUA, state regulators, and credit unions to better distinguish between liquidity risk and sensitivity to market risk.
- *Risk-Based Net Worth, Complex Threshold (Part 702)*: This proposal would temporarily raise the asset threshold for defining a credit union as "complex" for purposes of being subject to any risk-based net worth requirement. Specifically, the proposed rule would amend NCUA's regulations to provide that any risk-based net worth requirement would

apply only to credit unions with more than \$500 million in assets (currently \$50 million) and a risk-based net worth requirement that exceeds 6%.

In addition to these pending proposals, we urge the Board to proceed with other outstanding and future rulemakings aimed at aiding credit unions and their members during the COVID-19 pandemic.

Conclusion

On behalf of America's credit unions and their 120 million members, congratulations on your appointment as Chairman of the NCUA Board. We look forward to working with you to ensure America's federally-insured credit unions can continue to meet the needs of their members.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle", written in a cursive style.

Jim Nussle
President & CEO