Credit Union National Association
CUNA

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May 13, 2021

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Finalizing Pending Rulemakings

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

On behalf of America's credit unions, I am writing to the National Credit Union Administration (NCUA) Board to express the importance for the agency to finalize pending rulemakings aimed at providing credit unions regulatory relief. The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

We appreciate the steps the agency has taken over the past year to address pressures on credit unions in connection with the ongoing COVID-19 pandemic. These include several interim final rules, including a recently adopted interim final rule that continues relief provided in a 2020 rule related to prompt corrective action (PCA).[1]

The NCUA can provide additional regulatory relief by finalizing two outstanding rulemakings in particular: the Capitalization of Interest in Connection with Loan Workouts and Modifications proposal,[2] and the Transition to the Current Expected Credit Loss Methodology proposal.[3] Given the urgency of the pandemic, the ensuing economic crisis, and the adverse impact these events are having on consumers' financial well-being, we strongly urge the Board to approve these proposals as soon as possible.

Existing regulation prohibits capitalization of interest, complicating loan modifications and workouts for members facing financial distress. The Capitalization of Interest in Connection with Loan Workouts and Modifications proposal issued by the NCUA Board in November 2020, would remove the existing prohibition on credit unions' capitalizing interest in connection with loan workouts and modifications.

[1] 86 Fed. Reg. 73 (Apr. 19, 2021).
[2] 85 Fed. Reg. 78,269 (Dec. 4, 2020).
[3] 85 Fed. Reg. 50,963 (Aug. 19, 2020).

In January, we filed a letter with the NCUA in support of the capitalization of interest proposal.[4] The current prohibition on capitalization of interest is overly burdensome and, in some cases, may hamper a credit union's good-faith efforts to engage in loan workouts with borrowers facing difficulty because of the economic disruption caused by the ongoing pandemic. Once adopted (and upon becoming effective), credit unions and their members will be able to begin taking advantage of the benefits of this rulemaking.

Approved by the Board in July 2020, the Transition to the Current Expected Credit Loss Methodology proposal would provide that, for purposes of determining a credit union's net worth classification under PCA, the NCUA will phase-in over a three-year period the day-one adverse effects on regulatory capital that may result from adoption of the Financial Accounting Standards Board's (FASB) current expected credit losses (CECL) standard.

Last October, we filed a letter with the NCUA in support of the CECL phase-in proposal.[5] We believe a three-year phase-in is appropriate. Not only does it conform with the flexibility provided by the federal banking agencies, it also provides a sufficient amount of time for credit unions to spread out the effect of the day-one adjustment. While a phase-in would not apply until the CECL standard goes into effect in January 2023, the assurance that a phase-in will occur will be helpful as credit unions continue to prepare for CECL implementation.

We appreciate the Board's support of these rulemakings, and we are encouraged by its interest in pursuing such positive regulatory measures. We urge the NCUA to finalize these rules as soon as possible. With continued pressures on credit unions related to the pandemic, it is critical that credit unions be able to avail themselves of regulatory relief, especially regarding relief measures already addressed by the NCUA Board.

On behalf of America's credit unions and their more than 120 million members, thank you for finalizing as soon as possible these rulemakings aimed at providing regulatory relief to our nation's credit unions. Please do not hesitate to contact me to discuss our comments further.

Sincerely,

Jim Nussle
President & CEO

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[4] CUNA Letter to NCUA re Capitalization of Interest NPR (Jan. 26, 2021), *available at* https://www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls,_Letters_and_Testimonies/2021/Letters/012621_Capitalization%20of%20Interest_final.pdf.

[5] CUNA Letter to NCUA re Transition to CECL NPR (Oct. 19, 2020), *available at* https://www.cuna.org/uploadedFiles/Advocacy/Actions/Comment_Calls,_Letters_and_Testimonies/2020/Comment_Letters/CL%20-%20NCUA%20-%20NPR%20-%20Transition%20to%20CECL%20Methodology_final.pdf.