Credit Union National Association
CUNA

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Larry Fazio
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Fazio,

I'm writing on behalf of the CUNA Small Credit Union Committee in follow-up to our meeting at GAC. First, we wanted to reiterate our thanks for taking the time to meet with our group. We each work to understand, from a broad perspective, the issues that face small credit unions so that we can serve as a resource for you during these meetings.

Per your comments at the end of our meeting, we plan to extend an invitation to you for a teleconference meeting of the Committee later this year. Thank you for your consideration.

At GAC, we were pleased to share some of our stories regarding how we serve our members and communities. From Thomas Flowers' story at Calhoun Liberty ECU in Florida being the only financial institution open in five counties after a storm, to Dale Hansard from Caprock FCU serving temporary workers, low-income families and immigrants in west Texas, these are a tiny example of the significant value smaller credit unions provide their communities every day.

Consolidation/mergers

We furthermore shared with you numbers forecasting the continued reduction in small credit unions nationwide—more than 90% of all mergers are credit unions under $100 million in assets. Our top-line concern around this trend stems from what the impact of the loss of those credit unions will mean in their respective communities and membership groups.

However, beyond that concern, which is significant, from the standpoint of the share insurance fund, we'd ask the following questions:

1. Does the continued loss of these smaller institutions begin to reshape the industry's image in a way that leaves it more vulnerable to attacks to the tax status, a major threat to NCUSIF?

2. Does further concentration of the industry into fewer, larger credit unions expose the share insurance fund to greater risk?

3. As further consolidation takes place, will the agency's operating fee schedule evolve in a way that doesn't overly burden the remaining small credit unions?

With the trends pointing to roughly only 60% of today's credit unions surviving by 2027, we encourage the NCUA to truly weigh these issues. The Committee would be a proud partner in processing what challenges further mergers and consolidation could mean for the industry overall.

Exams/Exam Modernization

As this Committee has shared previously, we're appreciative of the steps NCUA has taken to provide relief to smaller credit unions around exams, including through the small credit union exam, the longer examination cycle, and forgoing the ACET test for credit unions under $250 million. Your efforts to collaborate with state agencies on pilot programs to find further efficiencies are admirable as well.

We've kept a close eye on the agency's modernization efforts and welcome the day when examiners need to spend less time in our shops, and when the efficiency of the exam process has been improved overall. We've also shared our concerns about the potential burden on smaller credit unions that those technological changes might create, and are pleased that in your outreach to credit unions you've stated you're monitoring this issue.

Beyond those efforts we'd like to offer our services as this process moves forward. If you need the perspective of smaller credit unions as it relates to rolling out or proposing these changes, we'd be happy to serve as that resource for you.

CECL

While we didn't have the opportunity to address this issue during our meeting, we wanted to share what we're hearing from our peers. By and large, there is a deep fear from small credit unions that they will not have the capability to make the change to this new accounting standard, with many anecdotal reports from credit unions that it will be the reason they ultimately decide to merge.

The Committee has an urgent desire to create a resource, whether it be a webinar or a white paper, to head off that sentiment. CECL is certainly complicated and a concern for credit unions of all sizes, but we believe that it isn't an obstacle that most small credit unions can't overcome. The issue is that many don't know where to begin. We await anxiously for guidance and webinars from NCUA on this issue so we can pass the direction on to our peers. If you think there would be a benefit to partnering on a resource particularly for small credit unions, we are amenable to that avenue as well.

Non-member deposits

As this is one of NCUA's regulatory reform priorities for this year, the Committee wanted to reiterate that slight changes to how non-member deposits are regulated could yield significant benefits for all sizes of credit unions. Small and large credit unions with tight liquidity, or those looking to make investments with excess liquidity, or those who struggle to raise deposits in general, could benefit from raising the maximum level allowed.

Thank you

Thank you again for taking the time to meet with this Committee, a group that is very dedicated to serving and supporting smaller credit unions, and that also understands greatly how important NCUA is to our success.

Please look out for an invitation to an upcoming meeting of our Committee in the very near future.

Sincerely,

Teri Robinson
Chair, CUNA Small Credit Union Committee
President/CEO, Ironworkers USA FCU, Portland Ore.,

Chair: Teri Robinson, Ironworkers USA FCU, Portland, Ore. | **Vice Chair: Lori Herrick**, Manchester Municipal FCU, Conn.
Amy Brodersen, Family Focus FCU, Omaha, Neb. **| Becky Brosius,** Combined FCU, Hot Springs, Ark.
Thomas Flowers, Calhoun Liberty ECU, Blountstown, Fla. **| Joe Foster**, HALLCO Community CU, Gainesville, Ga.
Ynette Gibbs, Newrizons FCU, Hoquiam, Wash. | **Dale Hansard,** Caprock FCU, Lamesa, Texas
Bob Hoel, Filene Research Institute | **Tom Kane**, Illinois Credit Union League
Stephen Nelson, Utah Credit Union Association | **Mira Ness**, New York University FCU, New York
Greg Olmsted, North Alabama Educators CU, Huntsville, Ala. | **Erick Orellana,** Comunidad Latina, Santa Ana, Calif.
Gary Parker, 1st University CU, Waco, Texas | **Denny Siemers,** Town & Country CU, Harlan, Iowa
Carrie Wood, Timberland FCU, Du Bois, Pa. | **Nick Woodard,** United Savings FCU, Fargo, N.D.
Tom Sakash, Manager, CUNA Small Credit Union Initiatives | **Mike Schenk**, CUNA chief economist