

Capital Reform

Issue: On October 15, 2015, the National Credit Union Administration (NCUA) Board voted 2-1 to approve a final risk-based capital (RBC) rule that will take effect on January 1, 2019. NAFCU has consistently expressed concerns about the rulemaking and the impact it will have on the credit union industry – in particular, the regulatory burden and costs it will impose. NAFCU has urged the NCUA to make changes to the rule before it takes effect.

In the 115th Congress, Representatives Bill Posey (R-FL) and Denny Heck (D-WA) introduced legislation, H.R. 5288, the *Common Sense Credit Union Capital Relief Act of 2018*, that would delay the effective date of the NCUA's RBC rule by two years, from January 1, 2019 to January 1, 2021. The House of Representatives has passed this legislation three times as part of larger packages, including as part of the FY 2019 Financial Services and General Government appropriations measure. It was also part of the House amendments to S. 488, the *JOBS and Investor Confidence Act of 2018* (JOBS Act 3.0), which passed the House 406-4 and is pending in the Senate.

On August 2, 2018, the NCUA Board issued a proposed rule that would delay the effective date of the RBC rule by one year, to January 1, 2020. This proposal also would raise the threshold of what the NCUA considers to be a “complex” credit union subject to the rule from \$100 million to \$500 million in assets. While this proposal would provide some immediate relief if adopted, it does not fully address all of the industry's concerns with the RBC rule, including: defining “complex” credit unions not by assets, but by activities, ensuring risk-weight categories better align with weights for the banking industry, and ensuring credit unions have similar options to what Congress has established for community banks. NAFCU believes a two-year legislative delay is still desirable to ensure that the NCUA has additional time to review the RBC rule before it takes effect and credit unions have sufficient time to prepare.

Legislation: In addition to H.R. 5288 and a RBC rule delay, NAFCU would also like to see legislation advance that would ensure all credit unions have an opportunity to gain access to supplemental capital:

- **H.R. 1244** – the *Capital Access for Small Businesses and Jobs Act*. This bipartisan bill was introduced by Representatives Pete King (R-NY) and Brad Sherman (D-CA), and would allow federal credit unions to receive payments on uninsured, non-share capital accounts, provided this capital satisfies certain safety and soundness considerations.

NAFCU Ask: We urge Representatives and Senators to sign on as cosponsors and support capital reform that addresses issues with the current and forthcoming capital regime and allows a modern capital system for credit unions. We urge the Senate to support the RBC delay provision in the JOBS Act 3.0.