



## A VIEW FROM THE TOP



**Presented By: B. Dan Berger**  
President & Chief Executive Officer  
National Association of Federally-Insured Credit Unions  
[@BDanBerger](https://twitter.com/BDanBerger)  
[www.nafcu.org/berger-leadership-blog](https://www.nafcu.org/berger-leadership-blog)  
[www.linkedin.com/in/b-dan-berger](https://www.linkedin.com/in/b-dan-berger)

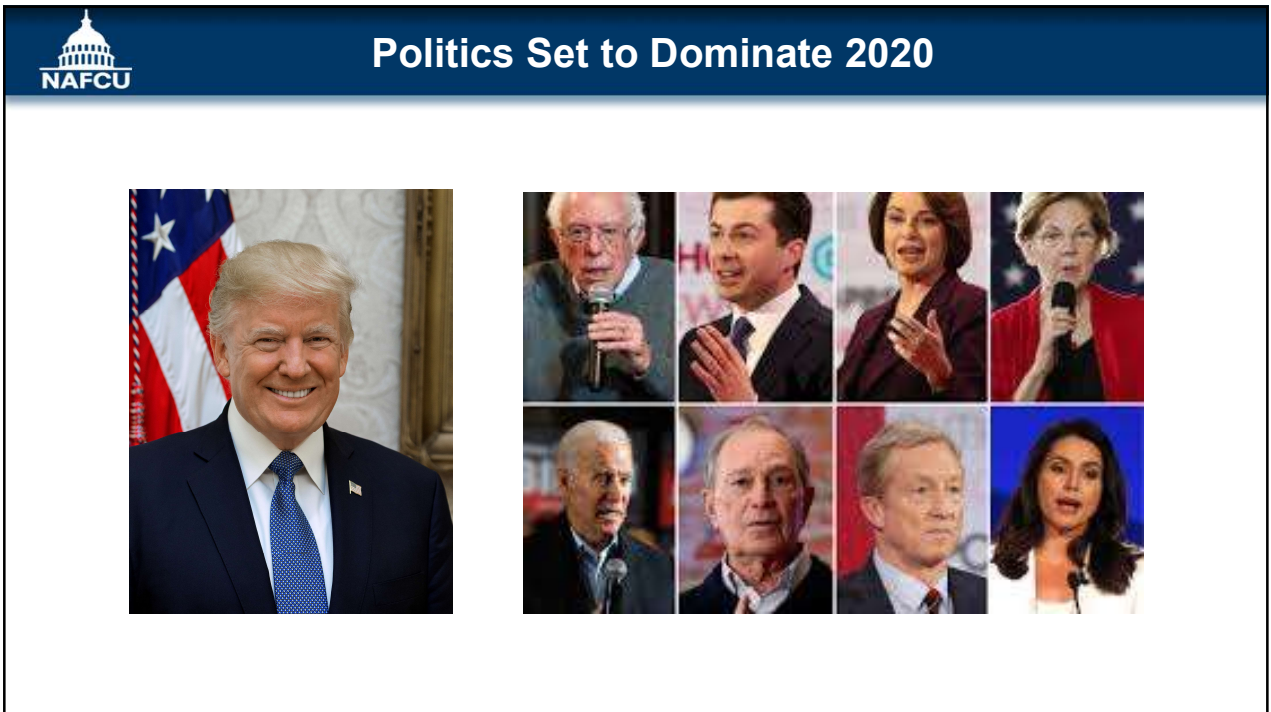
1



2



3



4



## NAFCU's 2020 Advocacy Priorities

NAFCU's 2020 Advocacy Priorities include working on the following issues:

1. **Growth:** Ensuring a strong secondary market and expanding FOM opportunities.
2. **Fair and Innovative Market:** Creating national data privacy and cybersecurity standards.
3. **Regulatory Relief:** More guidance on CECL and reforming the T CPA.
4. **Transparency:** Reforming the structure of the CFPB and establishing cost-benefit analysis in the NCUA budget.
5. **Tax Exemption:** Educating lawmakers on the CU difference.
6. **Strong NCUA:** Removing the CFPB's examination and enforcement powers.



5



## Be Vigilant

### Tax Issues

- 2017's "Tax Cuts and Jobs Act" preserved CU Tax exemption
- Some tax extenders/fixes addressed at end of 2019
  - More being discussed, but action remains unlikely



### CRA

- House Financial Services Committee, banking regulators, examining CRA reforms
- Senator Elizabeth Warren's "American Housing and Economic Mobility Act"
  - While CRA not explicit for credit unions, requirements for underserved areas and community charters statutorily install CRA-like requirements on CUs.
  - Right now, more of a 2020 campaign platform effort

### Banker Attacks

- Bankers have ratcheted up their attacks both in DC and in the states both on tax exemption and banks merging with credit unions.

6



## Key Legislation Introduced in 116<sup>th</sup> Congress

### Loan Maturity Relief

- H.R. 1661 – NAFCU-sought bill to give NCUA flexibility to extend 15-year general maturity for loans.

### Veteran's MBL Relief

- H.R. 2305, S. 2834 – Exempt MBLs made to Vets from MBL Cap.

### BSA/AML Reform

- H.R. 2513 - The Corporate Transparency Act. Requires company disclosure of beneficial owners.
- H.R. 2514 - The COUNTER Act. Modernizes BSA/AML system. Combined in to one bill and passed House in October 2019.
- S. 2563 – ILLICIT CASH Act. Senate version of H.R. 2513/2514. Awaits action in Senate.
- Bipartisan support makes this one area where something could happen in 2020.

7



## Marijuana Banking

- NAFCU does not take a position on legalization, and has not endorsed any specific legislative proposal, but supports Congress examining steps for greater flexibility and legal certainty for those who choose to serve state-authorized Marijuana Related Businesses (MRBs.)
- Congressional focus has been on the SAFE Banking Act (H.R. 1595, S. 1200)
  - Would align federal and state laws concerning MRBs and their access to banking services by providing a safe harbor from federal banking regulator adverse actions.
  - House passed its version in September 2019
  - Senate Banking held hearing in July 2019, but Senate action seems unlikely in 2020 due to limited Republican support
- Federal legalization of hemp (non-THC cannabis) passed in 2018 Farm Bill
  - NCUA guidance released 2019.

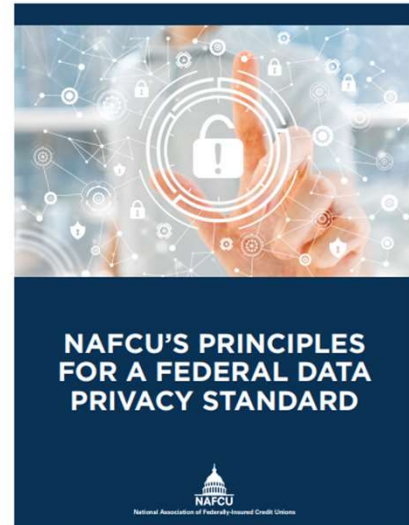
8





## Data Privacy

- The California Consumer Privacy Act (CCPA) went into effect on January 1, 2020.
  - Poses potential operational and compliance challenges for many credit unions, even those outside of California.
  - Other states also working on legislation to give consumers more control of their personal data.
- NAFCU is taking the lead on data privacy and has developed Principles for a Federal Data Privacy Standard – six principles in support of a comprehensive national standard for data privacy.



9



## Fintech

- **NAFCU advocates for a level playing field** that holds fintech companies accountable for protecting consumer financial data.
- **NAFCU's fintech white paper** charts a new path for the Federal Financial Institutions Examination Council (FFIEC) to monitor risks posed by fintechs and work to allow all institutions to leverage new technologies.
- **NAFCU is also working with Google** as it partners with banks and credit unions to offer checking accounts through its Google Pay app.



10



## NCUA Priorities in 2020

### **NCUA Guaranteed Notes**

- Liabilities associated with the NGN program set to expire in 2021.
- NAFCU asked the NCUA for an update on legacy asset disposition strategies under consideration.
- Credit unions being approached by third parties seeking to purchase capital certificates for pennies on the dollar.

### **Transition from LIBOR**

- Credit unions must transition away from LIBOR to the Secured Overnight Financing Rate (SOFR) by the end of 2021 for products and contracts.
- NCUA Supervisory Priority for 2020.

### **Exam Modernization**

- New MERIT system to replace AIRES by early 2021. MERIT to be released to all examiners in second half of 2020.

11



## GSE Reform

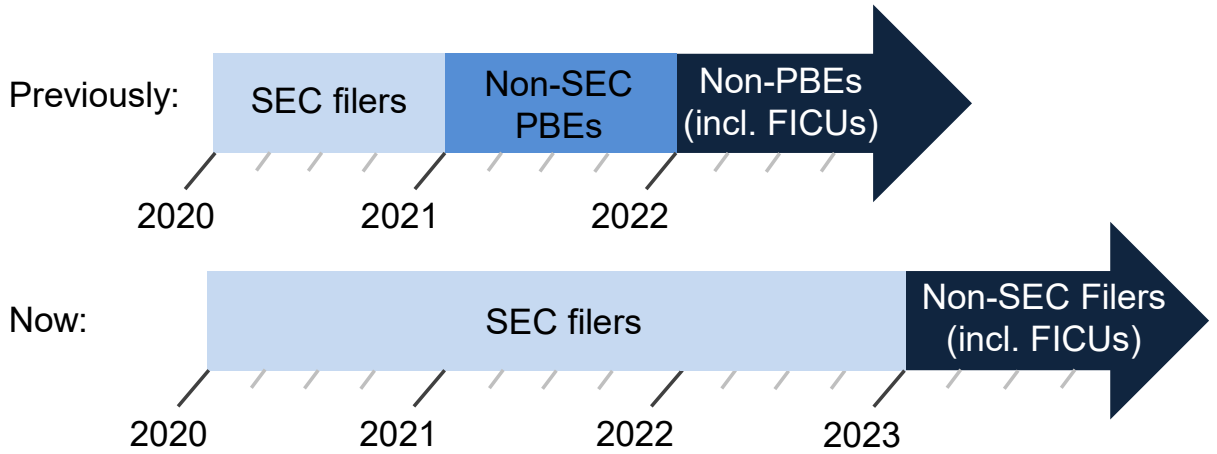
- **Last year, President Trump asked Treasury, HUD, and the FHA to develop housing finance reform plans.** Treasury made several legislative and administrative recommendations – many align with NAFCU's Housing Finance Reform Principles.
- **Not waiting on Congress:** FHFA Director Dr. Mark Calabria has been vocal about wanting to recapitalize the GSEs and remove them from conservatorship if Congress fails to act.
  - In September 2019, the FHFA and Treasury signed an agreement to prohibit the GSEs from offering volume-based discounts on the sale of mortgage loans.
  - The FHFA announced plans to re-propose a capital requirements rule for the GSEs in Q1 2020. This is the first step in recapitalization and release of the GSEs from conservatorship.

12



# CECL

In October, FASB approved a delay of CECL for credit unions and community banks



13

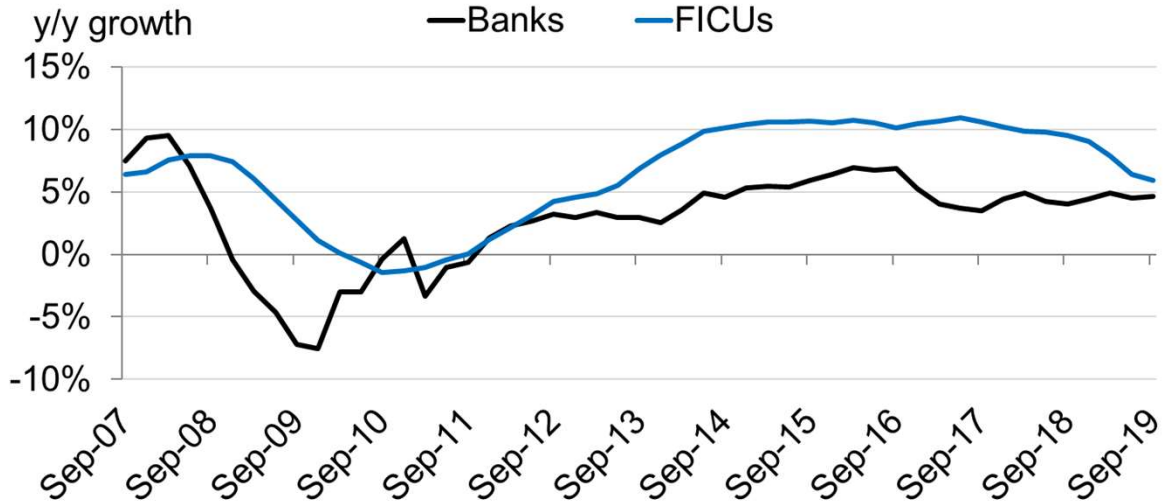


## State of the Industry

14



## Loan Growth

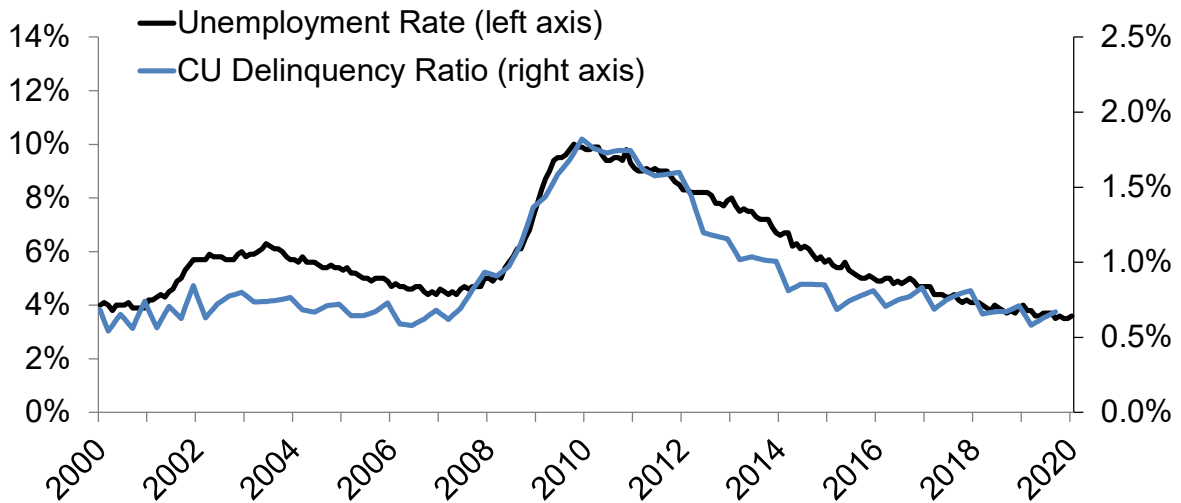


Sources: NCUA, FDIC

15



## Loan Performance



Sources: Bureau of Labor Statistics, NCUA

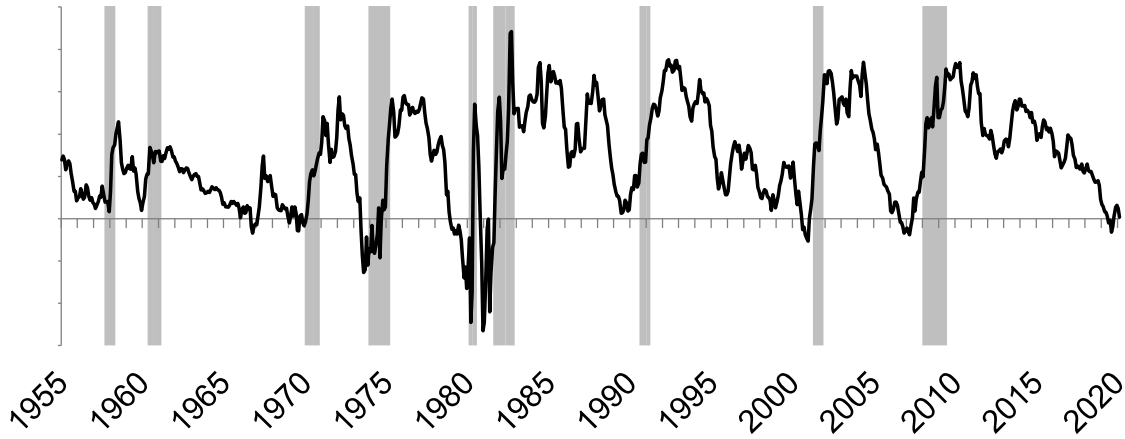
16





## Yield Curve Inversion

### 10 Year - 3 Month Treasury Spread



Monthly average rates; data through February 21, 2020

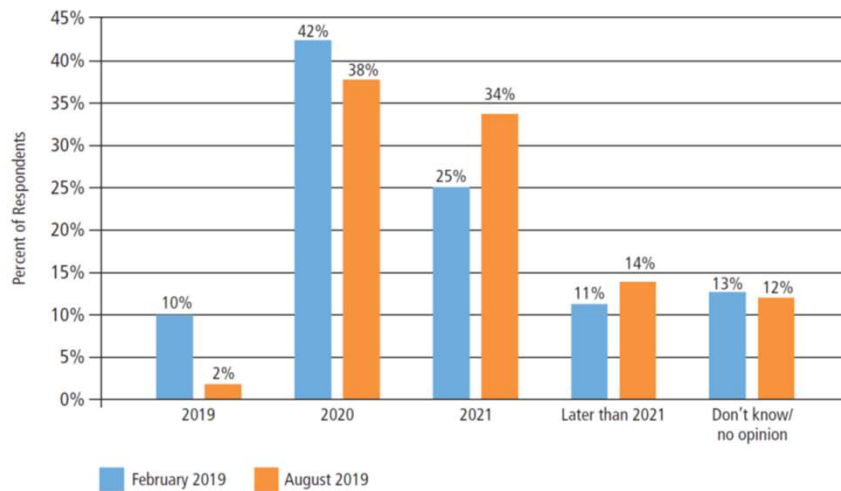
Sources: National Bureau of Economic Research, Federal Reserve

17



## The Next Recession?

### When Will the U.S. Economy Enter the Next Recession?

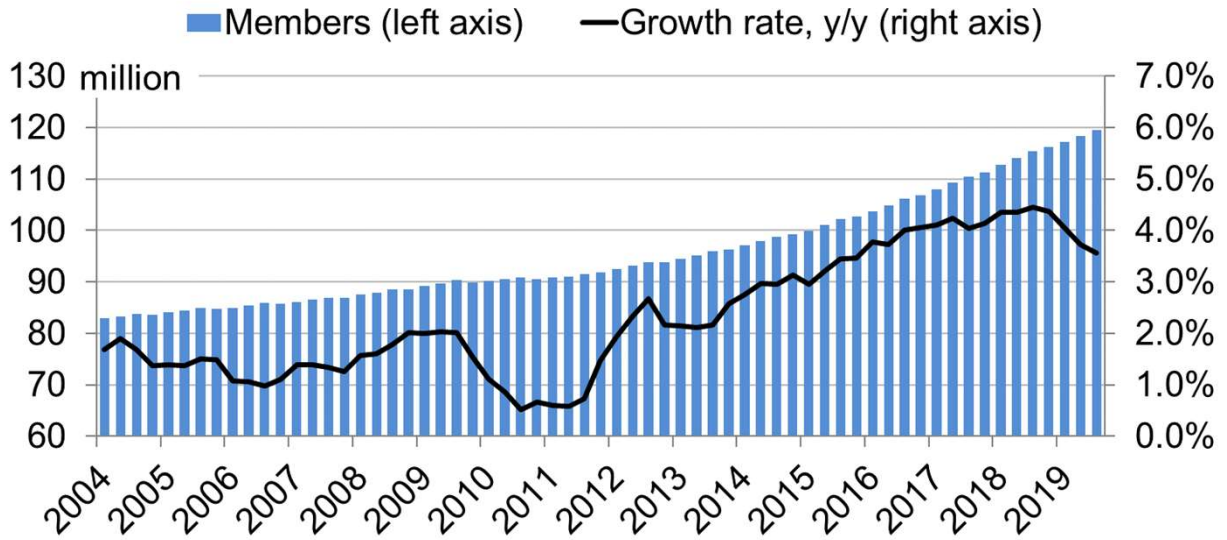


Source: NABE August 2019 Economic Policy Survey

18



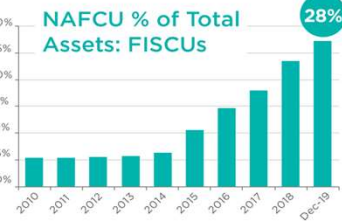
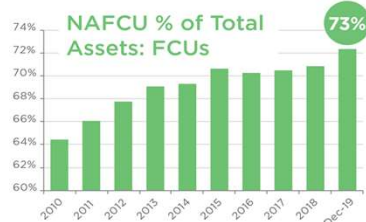
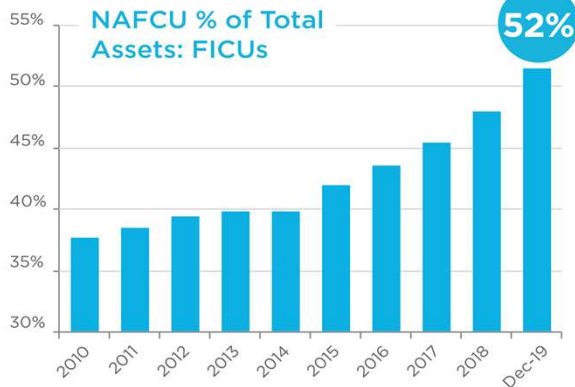
# CU Membership Growth



Source: NCUA



## NAFCU MEMBERSHIP





## CU Statistics

	U.S.
Number of FICUs	5,281
Number of \$1B+ FICUs	322
Average Assets (in \$millions)	\$288
Median Assets (in \$millions)	\$35

Source: NCUA 5300 data (through 2019Q3)

21



*“ Credit unions serve the greater good, not the greater greed.”*

*Dan Berger, NAFCU president and CEO  
Wall St. Journal, September 3, 2019*

22



## Thank you to all the credit unions who recently joined NAFCU

Advantage One CU ♦ Affinity CU ♦ Allegiance CU ♦ Alternatives FCU ♦ Altura CU ♦ American Heritage FCU ♦ Atomic CU ♦ Avista Corp CU ♦ Baptist Health FCU ♦ Bay Cities CU ♦ BECU ♦  
 Beverly Hills Employees FCU ♦ Blue FCU ♦ Caribe FCU ♦ Cedar Falls Community CU ♦ CGR CU ♦ Chabot FCU ♦ Chaffey FCU ♦ Cheney FCU ♦ Chiphone FCU ♦ Civic FCU ♦ Code CU  
 ♦ Commonwealth CU ♦ Community Credit Union of Florida ♦ Community Financial CU ♦ Community Hope FCU ♦ Community Service CU ♦ Compass Financial FCU ♦ Connects FCU ♦ Corry FCU ♦  
 Country FCU ♦ Crane CU ♦ Credit Union of Atlanta ♦ District Government Employees FCU ♦ Dominion Energy CU ♦ DuGood FCU ♦ DuPont Community CU ♦ Education First FCU ♦ Education  
 Personnel FCU ♦ Emporia State FCU ♦ Equishare CU ♦ Firefighters First CU ♦ First Financial CU ♦ FirstEnergy Family CU ♦ Firstmark CU ♦ Fort Billings FCU ♦ Fort Worth Community CU ♦ Fox  
 Valley CU ♦ Ft. Randall FCU ♦ Georgia's Own CU ♦ Granco FCU ♦ Harbor Pointe CU ♦ Hawaii Community FCU ♦ Hawaii County Employees FCU ♦ Highmark CU ♦ Hope FCU ♦ Horizon CU  
 ♦ Houston FCU ♦ Hudson Heritage FCU ♦ Hudson River Community CU ♦ Illinois Educators CU ♦ IDB-IIC FCU ♦ Indiana Members CU ♦ Inner Lakes FCU ♦ Inspire FCU ♦ Jackson River  
 Community CU ♦ Kauai Government Employees FCU ♦ KBR Heritage FCU ♦ Kerr County FCU ♦ Knoxville TVA Employees CU ♦ L&N FCU ♦ Liberty County Teachers FCU ♦ Local 804 FCU ♦ Maui  
 County FCU ♦ Maui FCU ♦ Members Choice CU ♦ Members First CU of Florida ♦ Members Trust of the Southwest FCU ♦ Memorial Employees CU ♦ Merck Employees FCU ♦ Metro Employees  
 FCU ♦ Mid-American CU ♦ Missouri Valley FCU ♦ Mobility CU ♦ Monmouth FCU ♦ Municipal CU ♦ Mutual CU ♦ New Brunswick Postal FCU ♦ NIH FCU ♦ Norristown Bell CU ♦ North East Texas  
 CU ♦ NYM FCU ♦ Ohio Valley FCU ♦ Oregon State CU ♦ Park Community CU ♦ Pelican State CU ♦ Pennsylvania State Employees CU ♦ Pinnacle CU ♦ Pioneer Valley FCU ♦ Port Conneaut FCU  
 ♦ PowerCo FCU ♦ Prospectors FCU ♦ Pueblo Horizons FCU ♦ Puget Sound Cooperative FCU ♦ PWC Employees FCU ♦ Quincy CU ♦ Quorum FCU ♦ Red Crown FCU ♦ Register-Guard FCU ♦ Reigel  
 FCU ♦ Rockford Bell CU ♦ Sabbatus Regional CU ♦ Santa Cruz Community CU ♦ Schools FCU ♦ Scott CU ♦ Sharepoint CU ♦ Shoreline CU ♦ Sound CU ♦ South Atlantic FCU ♦ Southwest 66 CU  
 ♦ SPCO CU ♦ SPE FCU ♦ Stamford FCU ♦ Star One FCU ♦ Sun East FCU ♦ South Atlantic FCU ♦ Southbridge CU ♦ Stoneham Municipal Employees FCU ♦ Symphony FCU ♦ Syracuse Fire Dept.  
 Emp. FCU ♦ Taunton FCU ♦ Tacoma Longshoremen CU ♦ Team First FCU ♦ Technology CU ♦ Texar FCU ♦ Texas Bay Area CU ♦ Texas Bridge CU ♦ Texar FCU ♦ Texas Trust FCU ♦ Texell CU  
 ♦ Tongass FCU ♦ Total Choice FCU ♦ Transtar FCU ♦ Travis County CU ♦ True North FCU ♦ U.P. Connection FCU ♦ U.T. FCU ♦ Uark FCU ♦ UNIFY CU ♦ United Bay Community CU ♦ United  
 Energy CU ♦ University CU ♦ University of Michigan CU ♦ University of Louisiana FCU ♦ US Senate FCU ♦ UVA Community CU ♦ Washington State Employees CU ♦ West-Air Comm FCU ♦  
 Western Heritage CU ♦ Whitewater Regional FCU ♦ Wichita Falls Teachers FCU ♦ Wings CU ♦ Zeal CU

23



## A VIEW FROM THE TOP



**Presented By: B. Dan Berger**  
 President & Chief Executive Officer  
 National Association of Federally-Insured Credit Unions

[@BDanBerger](https://twitter.com/BDanBerger)

[www.nafcu.org/berger-leadership-blog](http://www.nafcu.org/berger-leadership-blog)

[www.linkedin.com/in/b-dan-berger](https://www.linkedin.com/in/b-dan-berger)

24