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National Association of Federally-Insured Credit Unions

November 10, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Thursday's Hearing, "Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions during the Pandemic"

Dear Chairwoman Waters and Ranking Member McHenry:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of Thursday's hearing, "Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions during the Pandemic." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 122 million consumers with personal and small business financial service products. NAFCU and our members welcome the Committee's oversight of financial regulators and ongoing efforts to address the current pandemic. Ahead of this hearing, we would like to share our thoughts on a few important issues for credit unions relating to the pandemic for both the lame-duck Congress and long-term.

NAFCU has highlighted six main priorities that we would like the National Credit Union Administration (NCUA) to address over the next few months that can provide relief to credit unions as they serve their members during the pandemic:

1. *Expanding Virtual Meetings.* The NCUA should provide guidance permitting virtual annual meetings and all board meetings to be solely virtual in 2021 to help protect the health and safety of credit union volunteers.
2. *Managing Unexpected Share Growth.* Considering the unique circumstances, the NCUA should provide more specialized and flexible parameters for meeting certain capital and supervisory requirements.
3. *Additional Investment Opportunities.* The NCUA should expand investment opportunities available to credit unions, including in the areas of asset-backed securities and corporate bonds.
4. *Capitalizing Interest on Loan Modifications.* Establishing parity with bank regulators' treatment of loan modifications will ease burdens on both credit unions and consumers.
5. *Adopting Broader Capital Reform.* Broader capital reform is critical during this time, including finalization of the subordinated debt rule, further guidance on asset securitization, and further delay of the risk-based capital rule.

6. *Finalizing an Efficient and Measured Budget.* In finalizing the 2021 budget, efficiency, transparency, and prudent management of credit union dollars is essential to the safety and soundness of the industry.

NAFCU outlined these requests in more detail in a letter to the NCUA earlier this week.

We would specifically highlight in this letter the importance of flexibility for credit unions in managing unexpected share growth due to the pandemic. Many credit unions have seen their balance sheet grow due to reductions in consumer spending and various relief programs during the pandemic. This growth may prove to be temporary, and we believe it is important that regulators grant flexibility from new requirements or burdens that may change once the pandemic is over. It is with this in mind that we request the NCUA extend the relief for Prompt Corrective Action (PCA) beyond December 31, 2020. Additionally, we also believe that the NCUA should consider issuing a rule to temporarily revise its definition of total assets, as permitted under the *Federal Credit Union Act* (FCU Act), as a means of alleviating regulatory stresses caused by excess share growth. We urge you to ask NCUA Chairman Rodney Hood about these measures. We also would support legislative efforts to address the share growth issue should they come before your Committee, such as H.R.8675, the *Preventing Regulatory Penalties for PPP Lenders Act*.

Tied closely to share growth at credit unions is the need for additional investment opportunities for credit unions. NAFCU has urged the NCUA to do what it can to expand opportunities in this area given the influx of deposits and need of credit unions. However, should additional credit union investment opportunities require a change to the FCU Act, we ask that you support such a legislative fix to help credit unions better assist their members and their communities.

NAFCU is also supportive of several of the bills associated with this hearing, including H.R.6789, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act*, which provides important temporary relief from the credit union member business lending (MBL) cap so that credit unions can provide needed capital to main street small businesses as they struggle to recover. This legislation also provides an important extension of the CARES Act provision dealing with the Central Liquidity Facility (CLF) for credit unions. We urge advancement of this important legislation. We also support extending troubled debt restructuring (TDR) relief, such as that found in the CARES Act. Additionally, we support efforts to provide relief for Community Development Financial Institutions (CDFIs) and to promote diversity, equity, and inclusion in financial services.

NAFCU also supports the many legislative efforts that have been proposed to address the Current Expected Credit Loss (CECL) standard and the detrimental effect it will have, particularly on credit unions with their unique capital framework. Earlier this year, Chairman Hood wrote to the Financial Accounting Standards Board (FASB) echoing NAFCU's calls for a credit union exemption to the CECL standard. We hope the Committee will proceed with legislative measures to provide relief from CECL and encourage the NCUA to take steps to minimize its impact on credit unions.

Lastly, NAFCU would like to express our opposition to the NCUA's request on third-party vendor examination authority. NAFCU and our member credit unions believe that cybersecurity is an important issue, including the security of vendors that credit unions do business with; accordingly, we have created our own task force of our members to examine this issue. However, NAFCU is opposed to granting additional authority to the NCUA to examine third parties at this time. NAFCU believes in a strong NCUA, but that the NCUA should stay focused on regulating credit unions. There are other tools already in place for the agency to get access to information about vendors. We believe the agency's time and resources are better focused on reducing regulatory burden by coordinating efforts among the financial regulators.

In conclusion, we thank you for your leadership and ongoing oversight of prudential regulators. NAFCU is pleased to see the Committee examining ways to continue regular oversight particularly during these uncertain times. We urge you to also continue to consider additional measures that will help credit unions to better serve their members. We appreciate the opportunity to share our input and look forward to continuing to work with the Committee to balance minimizing regulatory burden with enhancing the safety and soundness of the credit union system. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Committee