Learn How NAFCU's Five-Point Plan Will Bring Regulatory Relief to Credit Unions

In February 2013, NAFCU was the first trade association to call on Congress to provide comprehensive broad-based regulatory relief for credit unions. As part of this effort, NAFCU sent Congress a five-point plan for regulatory relief in order to significantly enhance credit unions' ability to create jobs, help the middle class, and boost our nation's struggling economy. Built on a solid framework of recommendations that provide regulatory relief, we revised the five-point plan in February 2015 to the following:

1. Capital Reforms for Credit Unions

Modernize capital standards for credit unions in order to reflect the realities of the 21st century financial marketplace:

- Authorize a true risk-based capital system for credit unions that more accurately reflects a credit union's risk profile.
- Give the National Credit Union Administration (NCUA) authority to allow supplemental capital accounts for credit unions that meet certain standards.
- Authorize the NCUA to further establish special capital requirements for newly chartered federal credit unions that recognize the unique nature and challenges of starting a new credit union. (Given that very few new credit unions have been chartered over the past decade, and in order to encourage the chartering of new credit unions.)

2. Field of Membership Improvements for Credit Unions

Make improvements to the *Federal Credit Union Act* to help enhance the federal credit union charter:

- Improve the field of membership (FOM) restrictions that credit unions face, including expanding the criteria for defining "urban" and "rural."
- Allow voluntary mergers involving multiple common bond credit unions.
- Allow credit unions that convert to community charters to retain their current select employee groups (SEGs).
- Allow all credit unions, regardless of charter type, to add underserved areas to their field of membership.
- Authorize the NCUA to grant parity to a federal credit union on a broader state rule, if such a shift would allow them to better serve their members and continue to protect the National Credit Union Share Insurance Fund.

3. Reduce Consumer Financial Protection Bureau (CFPB) Burdens on Credit Unions

Credit unions did not cause the financial crisis, but have been victims in the new tide of regulations aimed at those institutions who did, with over 1,000 institutions disappearing since the passage of the Dodd-Frank Act, primarily due to the new regulatory burdens.

- Exempt all credit unions from CFPB rulemaking and examination authority, since NCUA once again has been given authority to write all rules for credit unions, tailoring new proposals to meet the special nature of the credit union industry.
- Authorize the NCUA to delay the implementation of a CFPB rule that applies to credit unions, if complying with the proposed timeline would create an undue hardship.

- Authorize the NCUA to modify a CFPB rule for credit unions, provided that the objectives of the CFPB rule continue to be met.
- Require the NCUA and the CFPB to conduct a look-back cost-benefit analysis on all new rules after three years. The regulators should be required to revisit and modify any rules for which the cost of complying was underestimated by 20% or more from the original estimate at the time of issuance.

4. Operational Improvements for Credit Unions

Credit unions stand willing and ready to assist in our nation's economic recovery. Our industry's ability to do so, however, is severely inhibited by antiquated legislative restrictions.

- Modify the arbitrary and outdated credit union member business lending (MBL) cap to help create American jobs. This can be done by raising the current 12.25% limit to 27.5% for credit unions that meet certain criteria or by raising the outdated "definition" of a MBL from last century's $50,000 to a new 21st century standard of $250,000, with indexing for inflation to prevent future erosion. MBLs made to veterans, non-profit religious organizations, businesses in "underserved areas," or small businesses with fewer than 20 employees should be given special exemptions for the arbitrary cap.
- Eliminate statutory requirements to mail redundant and unnecessary privacy notices on an annual basis, provided that the credit union's policy has not changed and additional sharing of information with outside entities has not been undertaken since the distribution of the previous notice.
- Give the NCUA greater flexibility in how it handles credit union lending, such as the ability to establish longer maturities for certain loans.
- Enact new examination fairness provisions to help ensure timeliness, clear guidance and an independent appeal process free of examiner retaliation.

5. 21st Century Data Security Standards

Credit unions are being adversely impacted by ongoing cyber-attacks against the United States and continued data breaches at numerous merchants. The cost of dealing with these issues hinders the ability of credit unions to serve their members. Congress needs to enact new 21st century data security standards that include:

- Paying costs associated with a data breach by those entities that were breached.
- Establishing national standards for the safekeeping of all financial information.
- Requiring merchants to disclose their data security policies to their customers.
- Requiring the timely disclosure of entities that have suffered a data breach.
- Establishing enforcement standards for provisions prohibiting merchants from retaining financial data.
- Requiring the timely notification of the account servicer if an account has been compromised by a data breach.
- Requiring breached entities to prove a "lack-of-fault" if they have suffered from a data breach.

For more information, visit **www.nafcu.org/regrelief**.