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NAFCU
National Association of Federal Credit Unions | www.nafcu.org

B. Dan Berger
President & Chief Executive Officer

January 17, 2014

The Honorable Debbie Matz, Chairman
The Honorable Michael Fryzel, Board Member
The Honorable Rick T. Metsger, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: NCUA's 2014-2017 Strategic Plan

Dear Chairman Matz and Board Members Fryzel and Metsger:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I write today regarding the National Credit Union Administration (NCUA) Strategic Plan for 2014-2017 (Strategic Plan).

First and foremost, NAFCU appreciates the opportunity to comment on the NCUA's Strategic Plan. We believe that dialogue involving the agency and the industry is crucial to ensuring that the credit union industry remains healthy and credit unions continue to be unparalleled in providing quality financial services and products. Approximately 97 million Americans now rely on their credit unions to meet their financial services needs and demands, and now more than ever, the NCUA must carefully assess how its actions will enhance credit unions ability to serve their members rather than unnecessarily inhibit them.

The Strategic Plan addresses many key issues on the horizon. The NCUA correctly identifies a number of risks that credit unions are likely to face, including interest rate risk and cybersecurity. NAFCU recognizes these challenges and we are ready and willing to work with the NCUA to find the best solutions for credit unions and the industry.

As the NCUA implements the Strategic Plan, NAFCU strongly urges the agency against taking a one-size-fits-all approach to any particular problem or issue. For example, the Strategic Plan correctly identifies that rising interest rates will greatly reduce an important current source of income for credit unions, namely, income from refinancings. NAFCU believes that credit unions must be provided adequate flexibility to address this challenge, as a plan or solution that one credit union may find appropriate may not be suitable for another credit union. In addition, credit unions must be granted the necessary authority to address this challenge. This includes granting credit unions additional investment authority and expanding their incidental powers.

NAFCU also believes that the NCUA should do more to work with stakeholders to secure key legislative changes for credit unions. We strongly believe that legislative changes are needed to laws relative to credit union capital. Restrictions on member business lending need to be lifted. Furthermore, cyber- and data-security issues, which include credit unions bearing ever-increasing costs related to merchants' failures to conduct business in a safe manner, need legislative solutions. The NCUA, we believe, should prioritize achieving landmark legislative changes that are needed and NAFCU stands ready to work with the agency in this regard.

The NCUA's Strategic Plan should also focus on reducing regulatory burden on credit unions. NAFCU believes that it is essential that the agency conduct a thorough review of its regulations to identify rules that are unnecessary, outdated or overly burdensome on credit unions. For this purpose, NAFCU has prepared a "dirty dozen" list of regulations to eliminate or amend, a copy of which is attached to this letter.

NAFCU looks forward to working with the agency in 2014 and beyond. Should you have any questions or would like to discuss these issues further, please contact Michael Coleman, NAFCU's Director of Regulatory Affairs, by telephone at (703) 842-2244 or by email at mcoleman@nafcu.org or me by telephone at (703) 842-2215 or by email at dberger@nafcu.org.

Sincerely,

B. Dan Berger
President and CEO

NAFCU's "Dirty Dozen" - Twelve Regulations to Eliminate or Amend

1. **Expand credit union investment authority** to include permissible investments in derivatives, securitization and mortgage servicing rights. NAFCU strongly pushed for the expansion of credit unions' investment authority to include the ability to engage in limited derivatives activities. NAFCU will continue to seek this authority for qualified credit unions. In addition, NAFCU will push for the authority to securitize loans and expanded ability to invest in mortgage servicing rights.

2. **Seek updates and modernization of the NCUA's fixed assets rule.** In particular, the NCUA should: (1) increase the current 5 percent aggregate limit; (2) re-define what constitutes "fixed assets"; and, (3) improve the process of obtaining a waiver.

3. **Improve the process for credit unions seeking changes to their field of membership.** Improvements should include: (1) enabling credit unions to strengthen their associational membership charter; (2) streamlining the process for converting from one charter type to another; (3) remove or greatly increase the current population limits for serving members in a metropolitan area (1 million) and contiguous political jurisdictions (500,000); and, (4) making it easier for all credit unions to add "underserved" areas within their field of membership.

4. **Increase the number of transfers allowed to be made per month from savings accounts.** The restriction on "convenience transfers" under Regulation D presents an ongoing concern for NAFCU and its members. Members are often unable to understand and remember the arbitrary limits on the number and types of transfers the regulations permit them to make from their savings account. Members expect to have the ability to transfer their funds with ease to and from particular accounts, and the regulation's six-transfer limitation from savings accounts creates an undue burden for both members and credit unions. This six-transfer limitation should be updated and increased to at least nine transfers per month, while still making a distinction between savings and transaction accounts.

5. **Seek added flexibility for credit unions that offer member business loans.** These improvements could include: (1) securing credit union-friendly changes to the waiver process; (2) increasing the general minimum loan-to-value ratio from 80% to 85%; and, (3) securing removal of the 5 year relationship requirement.

6. **Update the requirement to disclose account numbers to protect the privacy of members.** Credit unions are currently required to list a member's full account number on every periodic statement sent to the member for their share accounts pursuant to Regulation E. These requirements need to be updated to allow the credit union to truncate account numbers on periodic statements in order to protect the privacy of the member and to reduce the risks of fraud and identity theft.

7. **Update advertising requirements for loan products and share accounts.** The regulatory requirements for advertisement of credit unions' loan products and share accounts have not kept pace with technological changes in the current market place. The requirements of Regulation Z and Truth in Savings should be updated to reflect these changes and advances in practical advertisements and the disbursement of information, while maintaining the integrity and accuracy of the information that the member truly needs to know from the advertisement.

8. **Modernize NCUA advertising requirements** to keep up with technological changes and an increasingly mobile membership. Update NCUA regulations to clarify that the official sign is not required to be displayed on (1) mobile applications, (2) social media, and (3) virtual tellers.

9. **Seek improvements to the Central Liquidity Facility** by reducing the amount of time that it takes for a credit union to secure access to liquidity. In addition, work with the NCUA to secure changes the Central Liquidity Facility by removing the subscription requirement for membership and permanently removing the borrowing cap.

10. **Obtain flexibility for federal credit unions to determine their choice of law.** Federal credit unions should be allowed the opportunity to choose the jurisdiction under which they operate without surrendering their federal charter. To this end, NAFCU will work with the NCUA to establish a waiver process under which a federal credit union, taking into account safety and soundness considerations, would choose the state law under which it wants one or more of its operations.

11. **Update, simplify and make improvements to regulations governing check processing and funds availability.** These enhancements should include: changing outdated references (i.e., references to non-local checks); changes that are required by statute and are already effective and incorrectly stated in the regulation; and changes that enable credit unions to address fraud.

12. **Eliminate redundant NCUA requirements to provide copies of appraisals upon request.** Credit unions are required to provide copies of appraisals under the CFPB's final mortgage rules upon receipt of an application for certain mortgages. The NCUA's requirements to provide a copy upon request should be amended to remove this duplicative requirement.