



**National Association
of Federal Credit Unions**

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July 5, 2016

Ms. Judith Dupre
Executive Secretary
Federal Financial Institutions Examination Council
3501 Fairfax Drive
Arlington, VA 22226-3550

RE: FFIEC CC Rating System Proposal; Docket Number FFIEC-2016-0001

Dear Ms. Dupre:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing to you regarding the Federal Financial Institutions Examination Council's (FFIEC, or Council) proposed revision to the Uniform Interagency Consumer Compliance Rating System (CC Rating System). Although FFIEC believes the proposed revisions will not set new or higher supervisory expectations for financial institutions, NAFCU urges the Council to reconsider the requirement that the Consumer Financial Protection Bureau (CFPB) provide a separate composite rating for all credit unions with \$10 billion or more in assets.

General Comments

Currently, NCUA examiners use the CC Rating System to evaluate a credit union's adherence to consumer compliance requirements. The CC Rating System is intended to ensure that supervisory resources are appropriately focused on areas exhibiting risk of consumer harm and on institutions that warrant elevated supervisory attention. Because the CC Rating System has not been updated in 30-years, the FFIEC is proposing this revision.

Under the proposed revision, examiners would no longer focus as heavily on individual transactions to ensure consumer compliance, but would rather focus more on a credit union's compliance management system (CMS) to determine compliance on a systemic level. The system would also be used to assign credit unions a rating that reflects the effectiveness of the credit union's CMS, which should be able to identify and manage compliance risk in products and services, and to prevent violations of law and consumer harm. A credit union's ability to effectively manage its compliance risk will be reflected in the "Management" component of the CAMEL rating used by NCUA.

The proposed revisions are also based on the principle that the Rating System is risk-based. Accordingly, the system conveys to examiners that a credit union's compliance management program will vary based on the institution's complexity and risk profile. Examiners will expect a more sophisticated CMS at more complex credit unions, and a less sophisticated system at smaller, less complex institutions.

As NAFCU has long advocated, a "one-size fits all" approach to credit union examinations is inadequate. Therefore, we appreciate that the new system is intended to recognize and communicate clearly to examiners that the sophistication of CMSs should vary.

Aggregated Agency Rating

In addition to NCUA examiners using the CC Rating System, the proposed revision would require the CFPB to separately rate credit unions holding \$10 billion or more in assets. NAFCU urges the Council to remove the separate rating requirement, as we have several serious concerns about this provision.

First, a review of a credit union's CMS by both the CFPB and NCUA examiners is redundant. The CFPB and NCUA will both be reviewing the same system and processes at an individual credit union, and therefore, should not be required to each submit a separate review.

Second, overlapping reviews can lead to different ratings from each agency, or worse, conflicting guidance for each credit union. By requiring the CFPB to conduct a separate review and rating of a credit union, the Council is creating a situation where a credit union is susceptible to prioritizing one agency's findings over the other to come into compliance with applicable regulations. This would directly counter the Rating System's goal of "promoting coordination, communication, and consistency among agencies."

NAFCU strongly believes that NCUA, as the prudential regulator of federal credit unions, and the insurer of all federally-insured credit unions, is in the best position to examine a credit union's CMS, and accordingly, assign a single CC Rating. If a credit union holds \$10 billion or more in assets, the revised rule should require the NCUA and CFPB to collaborate and issue a single, unified rating.

Should you have any questions or would like to discuss these issues further, please do not hesitate to contact me at memancipator@nafcu.org or (703) 842-2249.

Sincerely,



Michael Emancipator
Senior Regulatory Affairs Counsel