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National Association of Federally-Insured Credit Unions

February 27, 2019

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's Hearing: "Legislative Proposals on Capital Formation and Corporate Governance"

Dear Chairman Crapo and Ranking Member Brown:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing entitled: "Legislative Proposals on Capital Formation and Corporate Governance." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 115 million consumers with personal and small business financial service products. NAFCU and our members welcome the Committee examining the important issue of capital formation.

As the Committee considers capital formation issues that may benefit a number of businesses including banks and other financial companies, we also urge you to act in three areas to help credit unions meet the capital needs of their members:

Allow All Types of Credit Unions to Serve Underserved Areas

NAFCU supports allowing credit unions of all charter types to add underserved areas to their fields of membership. Such a change to the *Federal Credit Union Act* would go a long way to remove the barriers that limit consumers' access to essential financial services and help underserved communities with capital formation. The *Financial Services for the Underserved Act* (H.R. 4665) was bipartisan legislation introduced in the House in the 115th Congress which would have allowed any credit union to petition the National Credit Union Administration (NCUA) to allow them to add underserved areas to their existing field of membership. Currently, only multiple-common-bond credit unions have this authority.

Delay of NCUA's Risk-Based Capital Rule

While S. 2155, the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (P.L. 115-174) provided capital relief for community banks, it did not address credit union capital issues. As the Committee is aware, NAFCU supported the *JOBS and Investor Confidence Act of 2018* which passed the House of Representatives with overwhelming bipartisan support in the 115th Congress. Unfortunately, this legislation was not able to get consideration in the Senate. This bipartisan package included language in Title XVII that would have delayed the NCUA's risk-based capital (RBC) rule from taking effect until January 1, 2021. The RBC rule, as written, will have a negative impact on the industry as credit unions may face scenarios where they will have to constrain lending and decrease capital available to consumers and small businesses in order to comply with these new requirements. While the NCUA Board has approved a temporary delay in the rule until January 1, 2020, we still urge Congress to act in this area. A two-year delay in the rule would give credit unions more time to prepare and comply, and more importantly, it would give the new members of the NCUA Board time to fix and update the rule to reflect the current environment.

Provide NCUA Flexibility in Loan Maturity Limits

NAFCU supports giving the NCUA Board the power to extend the 15-year limit on federal credit union loans to longer terms for certain types of loans as it deems necessary. The current 15-year limit is outdated and does not conform to maturities that are commonly accepted in the market today. While the *Federal Credit Union Act* currently has exceptions for longer terms for primary residences, it does not have as much explicit flexibility for other types of loans, and the NCUA's ability to address this through regulation may be limited. In a rising interest rate environment like today, it is important that consumers have options for longer maturity products.

Thank you for the opportunity to share our thoughts on this important topic. We look forward to continuing to work with the Committee on this and other issues of importance to credit unions. Should you have any questions or require any additional information, please contact me or Alex Gleason, NAFCU's Associate Director of Legislative Affairs, at 703-842-2237 or agleason@nafcu.org.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Banking Committee