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April 4, 2016

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Cooperative Credit Union Association, Inc. Comments on NCUA 2017–2021 Draft Strategic Plan

BY EMAIL ONLY

Dear Secretary Poliquin:

On behalf of the member credit unions of the Cooperative Credit Union Association, Inc., please accept this letter of comment relative to the National Credit Union Administration's ("NCUA") 2017-2021 Draft Strategic Plan. The Association is the tri-state trade association representing credit unions located in the states of Massachusetts, New Hampshire and Rhode Island, serving approximately 170 credit unions which further serve approximately 2.6 million consumer members, and operating as part of the Credit Union National Association.

The Strategic Plan contains an analysis of the internal and external environment impacting NCUA, evaluates NCUA programs and risks, and provides goals and objectives for the next five years. The Plan affects credit unions and their members as it directs agency operations and priorities, which affect credit union operations.

The Association notes that the NCUA committed to make 2015 the year of regulatory relief for credit unions. The NCUA has remained open to credit union suggestions as to how it can reduce regulatory burden within the rules over which it has direct control. The support and diligence of the Board to achieve this goal is commended. The agency has committed to ensuring that credit unions have a prudent, forward-looking regulatory framework sufficient to address emerging risks. However, our credit unions welcome further efforts to deliver relief.

I. Commit to the Extended Examination Cycle

One such way of delivering relief is implementation of the extended examination cycle for federally-insured credit unions. The Association has corresponded with members of the Board and key staff on multiple occasions. Since the conversation began, member credit unions have been joined by policymakers in support of the 18-month exam cycle. On February 18, Congressman Frank Guinta

(R-NH) and Congressman Rubén Hinojosa (D-TX) corresponded with your office to urge the return to the extended exam cycle. While these interactions have been promising and agency support on the issue has remained positive, the NCUA has yet to make an industry-wide, public commitment to the 18-month exam cycle. Rather, it has continued to raise objections which do not appear to have a substantiated basis.

It appears that the remaining questions on the extended cycle relate to the metrics that can be prepared for the reversion to the extended cycle. The fact is that the agency has implemented the 18-month cycle successfully in the past. As the 18-month cycle was available before, the current arguments raised now regarding parameters are confusing. Credit unions remain open to the concept of a "limited rollout" or pilot program based on geography or asset size, as had been suggested by a member of the Board. The calculation of metrics is not an impossible task. There is precedent for how best to approach the reversion to an extended cycle; the next step forward is simply to do so.

Credit unions have not asked for all credit unions to be eligible for the cycle. The relief requested is only for well-managed credit unions, which are also the institutions that did not cause the financial crisis, but which are now struggling to deal with the regulatory overload. In addition, the cycle change sought is only a six-month window. The Association notes that the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Federal Reserve Board have taken the steps to move toward an extended examination cycle for their regulated financial institutions recently.

Another issue raised by the agency in response to this request for regulatory relief is "organizational capacity." This was not a concern or a priority when the agency switched to shorter cycles previously and without receiving input from state regulators. NCUA, as well as our state regulators, do engage in off-site monitoring now. An extended examination cycle will complement this approach. Examination technology updates, such as the updates to the AIRES software, cited by the NCUA as an impediment to implementing an extended exam cycle, can run concurrently with a public commitment and scheduled implementation date for an extended exam cycle. Such initiatives, which member credit unions do note as positive steps forward, need not be approached in silos.

Adopting a clearer risk-based examination system, similar to that of other regulators, will result in allowing the NCUA to better allocate its resources as needed. Well over a year is a considerable time to wait to start to consider advancing the issue in light of the current health of credit unions, the fact that there is a template for the extended cycle, and as benefits are weighed against the costs and burden.

I suggest that the agency join its federal regulatory counterparts, strengthen its leadership, and partner with credit unions by including a specific commitment and specific date to return to the extended examination cycle without advance statutory authorization in its Strategic Plan.

II. Standardize the Call Report Cycle

Additionally, the Association recommends that the NCUA implement a more standardized approach to the call report cycle. The call report data collection deadlines vary from quarter to quarter and year to year. Our member credit unions do not understand why the cycle cannot be more standardized. Each quarter's reporting timeframe should be consistent.

The Association also strongly suggests that the NCUA walk in step with other financial institution regulators regarding the amount of time credit unions have to report their call report data. Credit unions are given typically just three weeks to report their financial information to the agency. This timeframe is significantly shortened when a particular quarter contains a federal holiday.

The Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency have adopted the Federal Financial Institutions Examination Council's guidance on call reports. The FDIC's and OCC's regulated entities follow the same reporting schedule. While the particular forms and how often a financial institution has to file varies depending on the type of institutions and asset size, the general rule is that call report data must be received no more than thirty days after the report date. The report dates are the last day of each calendar quarter. For example, the March 31 report must be received by April 30, and the June 30 report by July 30. There is never a shorter timeframe than thirty days, and some reports are required only semi-annually or annually.

Granting credit unions more leeway in comparison with other similarly-regulated financial institutions does not pose a risk to safety and soundness. Quite the opposite, having a standardized reporting schedule allows credit unions to more consistently and wisely manage their portfolios. The Association recommends that the NCUA standardize the call report cycle deadlines and increase the reporting period from a variable timeframe to a consistent thirty-day period. Such changes are straightforward and relatively simple to make considering a cost-benefit analysis.

III. Conclusion

The Association encourages the NCUA to continue to seek credit union input as to the agency's priorities and operations. Credit unions deserve a regulatory and supervisory environment that will allow them to best serve their members, with whom they interact on a daily basis. A more flexible regulatory scheme, particularly in regards to examinations, allows our credit unions to deliver the most cost-effective products and services to our communities.

Thank you for your consideration of these views. The Association appreciates the opportunity to provide input and I remain available to address any questions or concerns at 508.229.5623 that you or your staff may have at your convenience.

Sincerely,

Paul C. Gentile
President/CEO

PCG/mabc/kb