November 20, 2017

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Comments on NCUA Regulatory Reform Agenda

Dear Mr. Poliquin:

The Pennsylvania Credit Union Association (PCUA) appreciates this opportunity to comment on the National Credit Union Administration's (NCUA) Regulatory Reform Agenda. PCUA is a state-wide advocacy organization that represents a majority of the nearly 400 credit unions located in the Commonwealth of Pennsylvania. We commend the NCUA's efforts to ease the regulatory burden that our credit unions face every day.

The Regulatory Reform Task Force (Task Force) has developed a comprehensive plan for improving NCUA's regulations and providing credit unions with more flexibility to serve their members and positively impact the communities where they operate. PCUA and its member credit unions support all of the proposed changes and offer the suggestions below for further improvements.

Tier 1 (First 24 Months)

Compensation in Connection with Loans

The Task Force recommends modifying 701.21(c)(8) to provide flexibility with respect to senior executive compensation plans that incorporate lending as part of a broad and balanced set of organizational goals and performance measures. Currently that section prohibits, with some exceptions, employees and officials of federal credit unions from receiving, directly or indirectly, any commission, fee or other compensation in connection with loans made by the credit union.

We support the proposed change to provide more flexibility to credit unions in compensating senior executives; however, we would encourage adding some stipulations to any proposed rule that would require loan delinquencies to be given consideration. Any plan that compensates or awards senior executives for a certain level of loan production should measure that loan growth or production against the quality of the loans generated.

Revising Federal Credit Union Field of Membership Rules

The Task Force recommends revising the chartering and field of membership rules to ease the restrictions on credit union expansion. Our credit unions support any efforts to loosen the field of membership expansion rules and open up more opportunities for credit unions to serve more communities.

Appraisals

The Task Force recommends that NCUA explore issuing a rule to raise appraisal thresholds separately from the interagency process. The Task Force proposal could increase the appraisal threshold from $250,000 to $400,000 for "commercial real estate loans" where repayment is dependent primarily on the sale of real estate or rental income derived from the real estate. NCUA's current rules do not have different thresholds for different types of real estate secured loans. The banking agencies currently have a threshold of $1,000,000 for certain real estate related business loans that are not dependent on the sale of, or rental income derived from, real estate as the primary source of income.

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Our credit unions are in favor of increasing the appraisal thresholds and adopting a separate threshold for different types of real estate secured loans. We recognize the importance of having accurate and reliable assessments of collateral securing some of a credit unionøs highest dollar outstanding loan amounts. If NCUA does issue a rule separate from the interagency rule, we would encourage the limits to be the same as the interagency rule, and not impose more restrictions on credit unions than the interagency rule imposes on the banks.

Tier 3 (4th year)

NCUA has already proposed revising the definition of the term ñin danger of insolvencyò for emergency merger purposes and adding a fourth category to the three existing net worth categories to include credit unions that have been granted or received assistance under Section 208 of the Federal Credit Union Act. We support the changes to the emergency merger rule as it will make it easier for those mergers to occur while further protecting the National Credit Union Shared Insurance Fund.

Loan Interest Rate; Temporary Rate

NCUA is researching the possibility of using a variable rate instead of the fixed, temporary rate. It also wants to remove the specific requirements for providing notice to credit unions in order to preserve future flexibility. We support changes to this rule and would encourage NCUA to further explore options including eliminating the maximum interest rate.

Third-Party Due Diligence Requirements

The Task Force recommends adding a comprehensive third-party due diligence regulation and removing and/or relocating such provisions from other regulations. We welcome any efforts to consolidate and provide clarity and simplicity to the regulations by combining all of the third-party due diligence requirements into one regulation. This will make it easier for our credit unions to find the requirements in the regulations.

We are concerned with the use of the word ñcomprehensive,ò implying additional regulations. Vendor due diligence is a priority for our credit unions as more services become more complex requiring the use of specialized vendors; however the current regulations achieve NCUAøs desired goal of a safe and sound credit union system.

Conclusion

PCUA applauds NCUA for developing a well-rounded proposal to reform its regulatory agenda. The proposed agenda is a logical step toward developing more modern and flexible options that increase the access of consumers and small business to credit union services. We would be happy to discuss our comments in detail at your convenience.

With best regards,

Patrick C. Conway

Patrick C. Conway
President & CEO

cc: PCUA Board of Directors
PCUA Government Relations Committee
PCUA Regulatory Review Committee