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National Association of Federally-Insured Credit Unions

November 20, 2017

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

RE: NCUA Regulatory Reform Agenda

Dear Mr. Poliquin:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing in regard to the National Credit Union Administration's (NCUA) request for comments on the Regulatory Task Force's report and recommendations for regulatory changes. The Task Force was formed in response to President Trump's Executive Order (EO) 13777, "Enforcing the Regulatory Reform Agenda," which directs subject agencies to evaluate existing regulations to identify which should be repealed, replaced, or modified.

First and foremost, NAFCU applauds the NCUA Board for convening the Task Force and undertaking this review, especially in light of the fact that NCUA is not legally required to comply with EO 13777. The decision to adhere to the spirit of the EO is further evidence of this Board's commitment to creating a regulatory environment that is safe and sound, yet still enables credit unions to become an even better service provider for the American consumer.

This current regulatory review and reform effort is the fourth in a series of substantive reviews conducted by NCUA in a relatively short time. This current effort provides even more detail and insight into the agency's long-term plans, such as priorities and timeframes. NAFCU sincerely appreciates yet another opportunity to share feedback on the agency's reform efforts.

Size does not equal risk

Before addressing the regulatory items raised in the report, NAFCU would like to raise a recent finding that will be referenced several times throughout this letter. On October 26, 2017, the Office of Financial Research (OFR), led by a Director that was appointed during the previous administration, published a report that supports NAFCU's long-held stance that size does not equal risk. The report, "Size Alone is not Sufficient to Identify

Systemically Important Banks," found that the asset size of an institution is insufficient to determine riskiness. Rather, the report asserts that a multi-factor test that examines the nature and activities of the institution is a better indicator of risk.

While NAFCU appreciates that NCUA's various asset threshold requirements are intended to provide regulatory relief, we stress that the agency should not hinge its determinations on the asset size of the credit union. As the agency considers the reform measures recommended in this report, NAFCU respectfully asks the agency to more closely consider criteria by which a credit union should achieve relief, rather than prohibit relief merely due to asset size.

Degrees of effort and impact

In preparing this letter, NAFCU's Regulatory Affairs Committee assessed the Task Force's recommendations, which are tiered and based on (1) the agency's effort to implement and (2) the beneficial effect for the industry. Although the Committee agreed with much of the Task Force's recommendations, there are several regulatory reform items that NAFCU and the Committee believe should be reprioritized.

Additionally, NAFCU believes that NCUA should delineate classes of regulations within Tiers, based on need of reform. NAFCU proposes that NCUA prioritize its relief on the taxonomic system of Tier I, Class A regulations receiving highest priority, with Tier I, Class B regulations receiving the next highest, and so forth. Under this more nuanced system, credit unions will have greater assurance that the regulatory reforms that mean most to them will be pursued first.

Finally, many of the regulations that the Task Force has recommended for reform have already been finalized and implemented, or are in the process of being finalized or implemented. Given the status of these rules, NAFCU presumes that the agency no longer needs to dedicate substantial hours to finalize or implement such rules. The agency will have found resources and time available to focus on regulations currently deemed Tier II or III, sooner than expected. Chart 1 in Appendix A outlines the Task Force's proposed prioritization compared to NAFCU's prioritization. The chart shows that de-prioritizing or eliminating seven Tier I items would allow NCUA to reallocate resources to five other items that are currently classified as Tier II or III.

Proposed Tier I Regulations

Sections 701.21(c)(4), (f), and (g) – Loan maturity limits for federal credit unions

The report recommends combining all regulations that address maturity limitations into one section, and incorporating NCUA's legal opinion that make it clear that actions not meeting GAAP standards for a "new loan" are not subject to maturity limits.

The report also recommends that the Board consider providing longer maturity limits for 1-4 family real estate loans and other loans permitted by 12 U.S.C. 1757(5)(A)(i) and (ii) and removing the "case-by-case" exception that the NCUA Board can provide.

Recognizing that legislative solutions will be needed to implement full relief, NAFCU supports the Task Force's recommendation to improve flexibility in this area. As Chairman McWatters recently wrote in remarks submitted to Congress, the agency is in the best position to make maturity determinations based on subject matter expertise. The general 15-year loan maturity limit should be amended so as to provide NCUA with enough deference and flexibility to enact changes that would provide relief for credit unions, and in turn, provide further benefit for this country's consumers.

Sections 701.21(c)(5); 701.22(a) & (b)(5); 723.2 & 723.4(c) – Single borrower and group of associated borrowers limit

The agenda recommends combining single borrower (and group of associated borrowers) limits into one provision. NCUA notes that the limits are currently interspersed in the general loan, loan participation and member business lending regulations. While the proposed procedural relief would be appreciated, NAFCU believes that agency resources should be first concerted toward more substantive relief measures. NAFCU recommends de-prioritizing this reform to Tier III so that other initiatives can be achieved sooner.

701.21(h) – Third-party servicing of indirect vehicle loans

The Task Force recommends that the Board revise this section to eliminate the portfolio limits and related waiver provisions. NCUA notes that a single, comprehensive third-party due diligence regulation would address the minimum expectations for using servicers. NAFCU supports this recommendation and its prioritization, given the fact that it contains procedural *and* substantive relief measures.

701.21(c)(8) – Compensation in connection with loans

In a 2016 Regulatory Review comment letter, NAFCU requested NCUA to clarify how it interprets the term "overall financial performance" in section 701.21(c)(8)(iii). Despite the rule's allowance for covered employees to receive compensation based on the credit union's "overall financial performance," credit unions have reported issues with NCUA examiners regarding compensation programs that appear to comply with the requirements of NCUA's rule.

As such, NAFCU supports the Task Force's Tier I recommendation to provide clarity and 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.

Appendix A to Part 701 – Federal Credit Union Bylaws

In August 2016, NAFCU explicitly called for the agency to issue a proposed rule or advanced notice of proposed rulemaking to implement the recommendations made from a 2014 FCU Bylaws working group, including amending the required number of members needed on matters relating to special meetings and board nominations.

NAFCU is therefore pleased that the Task Force recommends using an Advanced Notice of Proposed Rulemaking and forming a working group to update the Bylaws.

Appendix B to Part 701 – Chartering and Field of Membership Manual

NAFCU strongly supports the agency's proposed changes to the chartering and field of membership (FOM) manual. As explained in a December 2016 comment letter, NAFCU believes that these proposed amendments would grant immediate relief from undue burdens and restrictions on a FCU's ability to provide financial services to the consumers that need them most. NAFCU firmly believes that the proposed changes are supported by ample legal authority, and supports the Board's interpretation of the Act.

In addition to our strong support of the proposed amendments, NAFCU also asks that the Board consider additional improvements, including: deadlines for FOM amendment requests, increased transparency in the decision making process, and streamlined charter conversions and notification requirements.

Appendix 1 to Appendix B to Part 701 – Emergency Mergers

Already proposed by the Board, the Task Force recommends revising the definition of the term "in danger of insolvency" for emergency merger purposes to provide a standard that better protects the Share Insurance Fund (SIF).

NAFCU supports the agency's efforts to modernize the emergency merger procedures regulation as we believe it will allow NCUA to better identify credit unions in danger of insolvency. Rather than waiting until capital levels reach a critical juncture, when the troubled credit union is more costly to unwind, the proposed treatment would give acquiring credit unions more time to step in and resolve the troubled credit union.

Section 702.501 – 702.506 – Capital planning and stress testing

Already proposed by the Board, the Task Force recommends that the Board explore raising the threshold for required stress testing from \$10 billion to some higher threshold. However, NAFCU believes that the Board's proposal should be greatly expanded to provide relief for a greater number of credit unions.

Given recent proposals made by other federal banking regulators, as well as the recommendation made by the Treasury Department and the finding made by the Office of Financial Research, NAFCU believes that the current proposal should be more expansive. In particular, NAFCU believes size alone should not bar credit unions from receiving stress testing regulatory relief. NAFCU will submit more detailed feedback in response to the official notice of proposed rulemaking.

Section 702 – Risk-based capital

The Task Force recommends that the Board consider extending the January 1, 2019 implementation date of risk-based capital (RBC) so that the agency has time to conduct further review of the rule, and determine whether it should be amended in light of new developments, such as the current expected credit loss accounting standard (CECL), as

well as other pending changes made by community bank regulators.

Because NAFCU has long-advocated that RBC should be delayed and studied further, NAFCU strongly supports this measure as one of the highest priorities for the Board to implement. Given the January 2019 effective date, credit unions will begin planning for and altering operations as early as Q2 2018, a mere five months away. Accordingly, NAFCU strongly urges the agency to announce a delay as soon as possible. The longer that NCUA waits to announce a delay, the higher the likelihood that credit union operations will be affected in anticipation of the rule.

Part 704 – Corporate credit unions

Already approved by the Board during its November 16, 2017 meeting, the Task Force recommends that the Board amend its capital standards for corporate credit unions. The rule permits Tier II Capital to be included in GAAP Equity Acquired. It would also establish a retained earnings ratio of 2.50 percent, and permit corporate credit unions to count perpetual contributed capital in Tier I Capital when its retained earnings ratio of 2.50 percent is met.

NAFCU supports the Task Force's recommendation to finalize this proposed rule because it provides corporate credit unions with greater flexibility in the calculation and treatment of capital and simultaneously promotes increased certainty and stability in the credit union system.

Part 713 – Fidelity Bond and Insurance Coverage

The agenda recommends that NCUA explore whether there are less costly ways to implement the FCU Act's requirement to maintain fidelity coverage. This could possibly include allowing credit unions to make a business decision based on their own product and service needs.

Given that NCUA's Office of General Counsel recently issued a legal opinion letter on this matter, NAFCU believes that this issue can be deprioritized to Tier II so that other, more pressing relief measures can be pursued sooner.

Section 715.9(c)(6) – Engagement letter, target date of delivery

The Task Force recommends removing the specific reference, "120 days from the date of calendar or fiscal year-end under audit (period covered)," and instead, replace it with a recommendation that the target date of the engagement letter be presented so that the "credit union can meet the annual audit requirement." While this move is appreciated, relief in this area is not a high priority, and NAFCU recommends lowering its categorization from Tier I to Tier III.

Section 715.7(c) – Audit per Supervisory Committee Guide

The agenda includes a recommendation to replace the reference to NCUA's Supervisory Committee Audit Guide with minimum standards that a supervisory committee audit would be required to meet if the credit union elects not to obtain a CPA opinion audit.

Similar to the comment above, this initiative is welcome, but should be deprioritized to Tier III to free-up resources for other reforms.

Part 721 – Securitization

Already issued by Office of General Counsel, the Task Force recommends that NCUA issue a legal opinion letter that recognizes FCUs' authority to issue and sell securities as an incidental power. NAFCU appreciates the legal opinion letter, but asks that the Board directs the Office of Examination and Insurance to draft guidance that permits CUSOs to serve as aggregators of the underlying mortgages.

As the Board considers the Task Force's recommendation, NAFCU would like to reiterate points raised in an August 2017 letter: (1) expand the eligibility of loans beyond those originated by the securitizing credit union, in particular, by permitting the use of purchased loans needed to complete a pool as well as allowing the aggregation of loans by credit union service organizations (CUSOs); (2) providing flexibility in the levels of residual and retained interests in securitized assets that a credit union may hold; (3) authorizing credit unions to have special purpose vehicles with the authority to enter into derivative transactions; and (4) providing additional clarifications on the types of securitization transactions in which credit unions may engage.

Part 722 – Appraisals

The Task Force recommends that the NCUA Board propose a rule that raises the appraisal thresholds for commercial real estate loans from \$250,000 to \$400,000, regardless of whether repayment is dependent primarily on the sale of real estate or rental income derived from the real estate.

NAFCU supports this recommendation and prioritization, especially considering that other federal banking agencies have recently proposed such threshold increases. In order to be similarly afforded the regulatory flexibility that other depository institutions now have, NAFCU asks the Board to propose this reform as soon as feasible.

Part 740 – Accuracy of advertising and notice of insured status

Noting the existence of a proposed rule on this matter, the Task Force recommends revising NCUA's advertising rules so that a FICU can use a fourth version of the official advertising statement: "Insured by NCUA." The proposed rule also expands a current exemption from the advertising statement requirement regarding radio and television ads, eliminating the requirement to include the official advertising statement on statements of condition required by law.

NAFCU continues to hear from our members that applying Part 740 to social media is unclear, complicated, and burdensome. Section 740.5, for example, contains requirements that are impossible to apply to social media, especially interfaces that are interactive. NAFCU and our members believe these rules should be amended with the use of social media in mind to include more flexibility as opposed to the rigidity of the current rules. Although we genuinely support the Board's consideration of this rule, NAFCU believes that the Board's final rule should be much more expansive. NAFCU will submit a subsequent letter, with detailed

recommendations, in response to the formal call for comments.

Section 741.4(j)(1)(ii) – Conversion from, or termination of, Federal share insurance

Already proposed by the Board, the Task Force recommends that NCUA revise a rule that determines the timing regarding a credit union's eligibility for receiving dividend payments. NAFCU already submitted a comment on this proposal, in which we asked the agency to seek to apportion any potential distributions based on the total amount of assessments paid by the federally-insured credit union. In addition, NAFCU asked NCUA to determine a federally-insured credit union's proportionate share of a future equity distribution by measuring the average of its four quarter-end insured share balances reported during the calendar year applicable to the distribution.

Section 746, Subpart A – Supervisory Review Committee

Already finalized by the Board, the Task Force recommended that NCUA expand and formalize procedures by which FICUs may secure review of material supervisory determinations (MSDs) by NCUA's Supervisory Review Committee (SRC). NAFCU supported the Board's actions, but remains steadfast in our desire to see additional improvements that were not finalized, such as consistent review panels and review of CAMEL 1 and 2 component scores.

Section 746, Subpart B – Appeals

Also already finalized by the Board, the Task Force recommended that NCUA consolidate appeals procedures that are currently imbedded in various substantive regulations, which would create a uniform, consolidated procedural guideline for appeals. NAFCU supported this measure, but requests that the Board reconsider several of NAFCU's recommendations, including expedited appeals when time is of the essence.

Tier II Category

Section 701.22 – Loan Participations

The Task Force recommends that NCUA remove the prescriptive limit on the aggregate amount of loan participations that may be purchased from one originating lender, and replace it with a requirement that the credit union establish a limit in their policy. The limit would be tied into new standards for third-party due diligence with heightened standards if it exceeds 100 percent of net worth.

NCUA has made recent improvements to loan participation requirements, and NAFCU appreciates this additional recommendation which should provide further relief for credit unions that are looking for increased options.

Section 701.23 – Purchase, sale, and pledge of eligible obligations

The Task Force recommends that NCUA combine the authority to purchase loans and other assets into one section, and provide full authority consistent with the FCU Act. This would include removing limits on eligible obligations of a credit union's members, as well as restrictions based on CAMEL rating.

Although the recommendation lacks details at this juncture, NAFCU would support a revised rule that allows for any credit union to purchase an eligible obligation that has been originated by a federally-insured credit union, regardless of whether they are the obligations of its members. NAFCU believes that this would not bring new risk into the system, yet would provide purchasing and selling FICUs with more market options, which ultimately lowers the cost for consumers.

Section 741.8 – Purchase of asset and assumption of liabilities

The agenda recommends that the Board review this regulation to determine whether a credit union still needs agency approval before purchasing loans and assuming liabilities from market participants other than FICUs.

NAFCU agrees with the Task Force's assessment that requiring agency approval in every case might be an inordinate burden, especially when considering that credit unions already have broad authority to make loans, buy investments and other assets, and enter into transactions that create liabilities. NAFCU looks forward to the Board's implementation of this improvement.

Section 701.32 – Payment on shares by public units and nonmembers

As the functional equivalent as borrowing, the Task Force recommends that NCUA raise the nonmember deposit limit from 20 percent to 50 percent to parallel the ability of credit unions to borrow from any source up to 50 percent of paid-in and unimpaired capital and surplus under the FCU Act.

NAFCU agrees with the Task Force's recommendation as it would allow credit unions to establish deeper relationships with political subdivisions and other public units, such as cities and counties.

Section 701.34 – Designation of low income status; Acceptance of secondary capital accounts by low-income designated credit unions

Citing the ANPR from January 2017, the Task Force recommends that NCUA consider the feedback submitted in response. As the Board considers such feedback, NAFCU encourages the agency to seriously consider the points raised in our May 2017 comment letter.

Specifically, NAFCU urges the Board to frame a rule that incorporates the following principles: (1) preserve the not-for-profit, mutual member-owned and cooperative structure of credit unions and ensure that ownership interest (including influence) remains with the members; (2) ensure that the capital structure of credit unions is not fundamentally changed; (3) provide a degree of permanence such that the sudden outflow of capital will not occur; (4) allow for a feasible means to augment supplemental capital; (5) provide a solution with market viability. Given the importance of this relief, NAFCU recommends that NCUA elevate this effort to Tier I.

Section 701.38 – Borrowed funds from natural persons

Here too, NAFCU asks the Board to consider the points cited in NAFCU's May 2017 comment letter and elevate this issue to Tier I. NAFCU also encourages the Board to implement a pilot program, similar to what NCUA implemented for the derivatives rule. A pilot program used to measure the deployment of supplemental capital will yield best practices that could benefit the entire industry.

While NAFCU understands that statutory amendments may be necessary to provide meaningful alternative capital options for all credit unions, a revised regulatory capital framework would still offer increased flexibility to credit unions that must meet NCUA's risk-based net worth requirement.

Part 702 – Risk-based capital

In relation to the RBC rule, the Task Force recommends that NCUA consider changes to the definition of "complex credit union" to narrow the applicability of the rule. It also recommends that the Board consider exempting credit unions with high net-worth ratios from being covered, and simplifying the overall risk categories and weights. So long as NCUA delays implementation of RBC by at least 24-months, NAFCU believes that a Tier II prioritization is acceptable.

In revising the rule, NAFCU encourages the agency to incorporate the findings and actions of other federal banking and research agencies. As cited in a November 2017 letter sent to NCUA, the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (FRB) (collectively, the "federal banking agencies") issued a joint-proposal to reduce regulatory burden by simplifying capital rules.

The federal banking agencies propose, in part, to simplify the threshold deduction for mortgage servicing assets (MSA). This would include raising the limit for MSAs from 10 percent of common equity tier I capital to 25 percent, where any MSAs that exceed that limit would be deducted from regulatory capital. While the federal banking agencies' proposal would maintain MSA risk weight at 250 percent, this move clearly demonstrates the commitment to reduce regulatory capital burdens.

NAFCU believes the agency could take comparable measures to ease capital requirements, such as a reduced risk-weighting for MSAs and CUSOs, as well as the disparate weighting of mortgages based on concentration.

Finally, NAFCU would welcome the agency changes that could include redefining "complex," allowing for credit unions with high net worth ratios to be exempt, and simplifying the overall risk categories and weights. Similar to the plan proposed in Chairman Jeb Hensarling's CHOICE Act, NCUA could implement an "off-ramp" from RBC requirements for well-capitalized credit unions.

Part 702 – Alternative capital

Once again citing the January 2017 ANPR, the Task Force recommends that the Board should consider feedback received in response to the ANPR, and which alternative forms of capital, if any, could be used in meeting capital standards. NAFCU believes this item should receive increased priority, and incorporate the suggestions made in our May 2017 comment letter.

Part 703 – Investment and deposit activities

The Task Force recommends that the Board remove all unnecessary restrictions on investment authorities not required by the FCU Act, and to provide a principles-based approach focused on governance for investing activity. NAFCU does not have comment on every investment regulation under review, but we believe there are several regulations that warrant reprioritization, in some cases, and elimination, in others.

Subpart B - Derivatives

The Task Force also recommends that the Board remove the pre-approval requirement for derivatives authority, replacing it with a notice requirement. At this point, NAFCU believes that it is important for NCUA to ensure that a credit union is sophisticated enough to purchase derivatives. NAFCU recommends that NCUA not seek implementation of this recommendation.

703.6 – Maximum credit risk

The Task Force recommends requiring a minimum of investment grade for all investments. At this time, NAFCU objects to this recommendation and asks NCUA to remove it from consideration, as it would actually *increase* regulatory burden rather than relieve it.

703.14(i) - Zero coupon investment restrictions

NAFCU strongly supports removing limits on zero-coupon investments, as this will provide credit unions with added flexibility to manage their investment portfolios as they seek to offset risk.

703.16(a) Mortgage servicing rights restrictions

The Task Force recommends that the Board determine whether mortgage servicing rights (MSRs) are permissible for credit unions to purchase pursuant to the FCU Act. If so, NAFCU believes that NCUA should permit the purchase of MSRs.

Section 701.21(i) – Loans to members and lines of credit to members

The Task Force recommends that the Board move section 701.21(i) to Part 703 Subpart B so that all options/derivatives authority is prescribed in one section. While NAFCU appreciates this recommendation, we believe that it is a procedural change that will not afford credit unions significant relief, and therefore should be de-prioritized.

Tier III Category

Third-party due diligence

The Task Force recommends that NCUA add a comprehensive third-party due diligence regulation. The Task Force did not provide sufficient information for NAFCU to opine on the issue. However, NAFCU strongly opposes any recommendation that would enable or increase NCUA authority over third-party vendors, as NAFCU believes such a move would significantly increase the cost to credit unions.

Section 701.21(b) – Preemption of state laws

The Task Force recommends that the Board review overlapping laws and regulations, and enhance preemption authority where possible.

NAFCU believes that this is an important recommendation, and should be raised to a Tier II reform item. Determining whether a specific state law is preempted by NCUA regulations is a difficult endeavor, so any additional or explicit guidance that the agency could provide would be appreciated.

Section 701.21(c)(7)(ii) – Loan interest rate, temporary rate

Regarding a usury ceiling, the Task Force recommends that NCUA examine the possibility of using a variable rate instead of a fixed, temporary rate. NAFCU raised this recommendation in a January 2017 comment letters, and as such, we firmly support this idea and ask that its priority be raised to Tier I.

Section 701.37 – Treasury tax and loan depositories and financial agents of the government

The Task Force asks the Board to consider whether this regulation remains relevant and necessary. NAFCU currently has no recommendation regarding this matter.

Section 709.5 – Payout priorities in involuntary liquidation

The agenda notes that NCUA will consider revising payout priorities to make unsecured creditors *pari passu* with the Share Insurance Fund. Currently, unsecured creditors are senior to the SIF. Although early in the process and lacking detail, NAFCU could support this amendment as it has the potential to further protect the SIF.

Part 712 – Credit union service organizations

The Task Force recommends that the Board examine credit union service organization (CUSO) regulations and evaluate the permissible activities in light of the FCU Act. NAFCU strongly believes in the economies of scale and other advantages that CUSOs confer to credit unions. Accordingly, NAFCU urges the Board to increase the prioritization of CUSO reform, and recommends that the Board publish an ANPR in 2018 that solicits ideas and other feedback.

Part 714 – Leasing

The agenda notes that the Board will review whether any changes are needed. NAFCU has

no comment on this item, at this time.

Part 725 – NCUA Central Liquidity Facility (CLF)

The Task Force recommends that NCUA streamline, facilitate the use of correspondents, and reduce minimum collateral requirements for certain loans/collateral. NAFCU believes that a Tier 3 categorization of CLF reform is appropriate, and we have no comment at this time.

Section 741.2 – Maximum borrowing authority

The Task Force recommends removing the 50 percent borrowing limit for federally-insured, state chartered credit unions and the regulated waiver requirement. NAFCU supports a Tier 3 categorization and has no other comment to add.

Section 741.3(a)(2) – Special reserve for nonconforming investments

Technical amendment to remove as it is no longer necessary. A low prioritization for this change is appropriate.

Part 748 – Security program, report of suspected crimes, suspicious transactions, catastrophic acts, and Bank Secrecy Act compliance

The Task Force notes that NCUA should publish an ANPR and convene a working group to determine whether any changes or improvements are needed. NAFCU appreciates the effort to reform BSA compliance procedures, but we believe that substantive changes must originate from the Financial Crimes Enforcement Network and Congress.

Part 749 – Records preservation program and appendices; catastrophic act preparedness guidelines

The Task Force recommends that NCUA convene a working group and publish an ANPR to review whether any improvements or changes are necessary. NAFCU agrees that records retention reform will have negligible benefit, and is therefore a low priority.

Thank you for the opportunity to participate in this review. Should you have any questions or would like to discuss these issues further, please contact me at (703) 842-2249 or memancipator@nafcu.org.

Sincerely,



Michael Emancipator
Senior Regulatory Affairs Counsel

Appendix

*Notes: The red shade indicates NAFCU's recommendation to de-prioritize a regulation; the green shade indicates NAFCU's recommendation to give higher priority to a regulation. Proposed class indicates the priority within a Tier; i.e., Class A regulations should be addressed before Class B.

Regulation	NCUA Tier	Degree of Effort	Degree of Impact	Category	NAFCU proposed Tier	NAFCU proposed Class
Tier I Regulation						
Loan maturity limits for federal credit unions	I	Moderate	High	Clarify	I	B
Single borrower and group of associated borrowers limit	I	Low	High	Clarify	III	B
Third-party servicing of indirect vehicle loans	I	Low	Moderate	Remove	I	B
Compensation in connection with loans	I	Low	Moderate/ High	Clarify	I	B
Federal Credit Union Bylaws	I	High	High	Improve	I	B
Chartering and Field of Membership Manual	I	Moderate	Moderate	Expand Authority	I	A
Emergency Mergers	I	Moderate	Moderate	Improve	I	B
Capital planning and stress testing	I	Moderate	Moderate	Expand Relief	I	A
Risk-based capital	I	Low	High	Improve	I	A
Corporate credit unions	I	Moderate	Low	Improve	Remove	Remove
Fidelity Bond and Insurance Coverage	I	High	High	Improve	II	B
Engagement letter, target date of delivery	I	Low	High	Remove	III	B
Audit per Supervisory Committee Guide	I	Moderate	High	Clarify	III	A
Securitization	I	High	Low	Expand Authority	I	A
Appraisals	I	Moderate	High	Expand Relief	I	B

Accuracy of advertising and notice of insured status	I	Moderate	High	Expand Relief	I	B
Conversion from, or termination of, Federal share insurance	I	Low	Low	Improve	I	B
Supervisory Review Committee	I	High	Low	Improve	Remove	Remove
Appeals	I	High	Low	Improve	Remove	Remove
Tier II Regulation						
Loan Participations	II	Low	High	Remove	II	B
Purchase, sale, and pledge of eligible obligations	II	Moderate	High	Clarify & Expand	II	B
Purchase of asset and assumption of liabilities	II	Moderate	Moderate	Improve	II	B
Payment on shares by public units and nonmembers	II	Low	Moderate	Expand	II	B
Designation of low income status; Acceptance of secondary capital accounts by low-income designated credit unions	II	High	Low	Improve	I	B
Borrowed funds from natural persons	II	High	Moderate	Clarify/Expand	I	B
Risk-based capital	II	High	Low/ Moderate	Improve	II	A
Alternative capital	II	High	Low	Expand Authority	I	B
Derivatives	II	n/a	n/a	n/a	Remove	Remove
Maximum credit risk	II	n/a	n/a	n/a	Remove	Remove
Zero coupon investment restrictions	II	n/a	n/a	n/a	I	B
Mortgage servicing rights restrictions	II	n/a	n/a	n/a	II	A
Loans to members and lines of credit to members	II	Low	High	Clarify	III	A
Tier III Regulation						
Third-party due diligence	III	Moderate	High	Simplify & Improve	III	B

Preemption of state laws	III	Moderate	High	Simplify & Improve	II	A
Loan interest rate, temporary rate	III	Moderate	Low	Expand/ Clarify	I	B
Treasury tax and loan depositories and financial agents of the government	III	Moderate	Undetermined	Remove/ Improve	III	B
Payout priorities in involuntary liquidation	III	Low	Low	Clarify	III	B
Credit union service organizations	III	Low	High	Remove and Expand	II	A
Leasing	III	Moderate	Undetermined	Improve	III	B
NCUA Central Liquidity Facility (CLF)	III	Moderate	Moderate	Clarify	III	B
Maximum borrowing authority	III	Low	Low	Remove	III	B
Special reserve for nonconforming investments	III	Low	Technical Amendment	Remove	III	B
Security program, report of suspected crimes, suspicious transactions, catastrophic acts, and Bank Secrecy Act compliance	III	Moderate	High	Improve	III	A
Records preservation program and appendices; catastrophic act preparedness guidelines	III	Moderate	High	Improve	III	A