SchoolsFirst
FEDERAL CREDIT UNION

01/22/2019

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

Re: Comments on Proposed Rulemaking – Fidelity Bonds

Dear Mr. Poliquin:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), which serves school employees and their family members in California. We have more than 860,000 Members and over $15 billion in assets. SchoolsFirst FCU appreciates the opportunity to comment on the National Credit Union Administration Board's (NCUA) proposed rulemaking on fidelity bonds.

SchoolsFirst FCU supports NCUA's efforts to mitigate risk to the National Credit Union Share Insurance Fund (NCUSIF) and agrees with NCUA's requirement for credit union boards to annually review their fidelity bond coverage to ensure it is adequate. Respectively, we appreciate this opportunity to address our concerns with certain provisions in the ***proposed rule that creates undue burden for administration of fidelity bond coverage.***

Although we agree that the board must be provided with any information necessary to oversee the credit union's fidelity bond coverage process, we believe the proposed requirement for the board and supervisory committee to address coverage at all stages of the process falls outside the scope of the board of the directors' role.

We further believe that the requirement for a board member, as an independent party who does not operate in the day to day operations of the credit union, to sign the attestation for bond purchase or renewal creates an unnecessary step for credit unions due to the fact that volunteers are typically informed, in detail, on fidelity bond coverage. Additionally, complex credit unions characteristically have separate governance structures in place to ensure the credit union has adequate coverage and can remedy a deficiency, if needed.

What the proposed rule describes as a "minimal increase in regulatory burden" does not take into consideration the many facets involved in the review and attestation process, which includes the completion of the questionnaires that must be submitted to the insurance carrier prior to underwriting the coverage. We further perceive this requirement to be problematic due to the amount of time, bandwidth, and knowledge of a board member to be a signatory, which would require the board member to have a vast background in insurance. Operationally, this will subject our board members, who are unpaid volunteers, to the back and forth negotiating of the coverage with the insurance carrier. These are not minimal meetings, and could carry over into additional meetings with the carrier. Needless to say that changing each year the Board Member attestation would require additional burden for Management and carriers to train and educate the process to the new Board Member each year.

We believe that the NCUA can obtain a higher level of comfort in adequacy of fidelity bond process by instituting, during the annual examination, a review of the process to ensure the fidelity bond coverage,

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instead of placing additional burden on the credit union and especially to their volunteer board/supervisory committee members.

We do offer our support for the codification in NCUA's Rules and Regulations of the General Counsel's prior guidance for federal credit unions to be able to include majority owned CUSOs in their fidelity bond policies.

SchoolsFirst FCU thanks you for the opportunity to comment on this proposed rulemaking. We feel that our feedback and recommendations will allow our movement to better serve our members by giving federal credit unions more flexibility to establish and maintain their community presence.

Sincerely,

Bill Cheney,
President/CEO
SchoolsFirst Federal Credit Union

Cc: Credit Union National Association (CUNA)
California/Nevada Credit Union League (CCUL)

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