From:	John McKenzie
To:	_Regulatory Comments
Subject:	Public Unit and Nonmember Shares; RIN 3133–AF00
Date:	Friday, July 26, 2019 12:20:20 PM

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

Re: Public Unit and Nonmember Shares; RIN 3133–AF00

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the National Credit Union Administration's (NCUA) Public Unit and Nonmember Shares proposed rule. The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

Current NCUA regulations generally limit the total amount of nonmember shares a federal credit union (FCU) may have to 20% of the credit union's total shares, or $3 million, whichever is greater. The current rule also includes procedures that an FCU must follow to seek a waiver from its regional director to accept additional shares. The NCUA is proposing to amend the nonmember deposit rule to allow federally insured credit unions (FICU) to receive public unit and nonmember shares up to 50% of the credit union's paid-in and unimpaired capital and surplus, less any public unit and nonmember shares.

The proposal would also change the standard from "total shares" to "paid-in and unimpaired capital and surplus less any public unit and nonmember shares." The proposed rule does not include public unit and nonmember shares in the calculation of its unimpaired capital and surplus for purposes of this 50% limit. This revised limit is equal to the current limit on borrowed funds.

Overall, we support the proposed rule. We believe the revised limit will provide credit unions with a greater opportunity to leverage their balance sheet in ways other than borrowed funds. These nonmember or public unit deposits may also be available at a lower cost of funds than borrowed funds. While the number of FICUs that currently are close to their nonmember deposit limit is relatively small, we do see value in the proposed expansion of the regulatory limit. This also positions the credit union to provide additional options to political subdivisions and other non-profit organizations within the communities they serve.

As noted, the proposal would replace the current limit of the greater of 20% of total shares or $3 million with a new percentage limit that excludes a dollar amount alternative. This change may negatively impact a relatively small number of credit unions. We recommend that NCUA consider grandfathering those credit unions that are currently taking advantage of the higher $3 million limit.

Relative to the $3 million alternative limit, should NCUA decide to eliminate this alternative limit, we would recommend that as part of the future review of this regulation, NCUA research what, if any, negative impact eliminating this alternative limit may have had on smaller credit unions. Consideration should be given to restoring a similar limit if the research shows a significant negative impact occurred. As an alternative, while eliminating the $3 million alternative limit, NCUA could provide a special exemption for small low-income credit unions that can demonstrate a need for nonmember deposits above the revised limit to adequately serve their membership, or for newly chartered credit unions.

We do not oppose the proposed rule requirement that an FCU develop and maintain for review by NCUA examiners a specific plan regarding the intended use of any borrowings, public unit, or nonmember shares that, taken together, exceed 70% of the credit union's paid-in and unimpaired capital and surplus. We believe this proposed provision provides credit unions with significant flexibility to develop and implement funding strategies without the regulatory burden of developing and getting approval of a plan. We agree that should a credit union exceed the 70% limit of combined borrowings, public unit, or nonmember shares, it is prudent that a plan be developed to ensure that the credit union management and board have a strategy to mitigate any risks to the share insurance fund borrowings that this high level could present.

On behalf of Indiana credit unions, we appreciate the opportunity to comment on this proposal. If you have any questions about our letter, I would welcome the opportunity to discuss it. I can be reached at (317) 594-5320.

Sincerely,

John McKenzie

John McKenzie
President, Indiana Credit Union League