



The National Voice of the State Credit Union System

July 29, 2019

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

Re: NASCUS Comments on Public Unit and Nonmember Shares Proposed Rule

Dear Mr. Poliquin:

The National Association of State Credit Union Supervisors (NASCUS)¹ submits the following comments in response to the National Credit Union Administration's (NCUA's) request for comments on proposed changes to NCUA's rule Part 701.32 and Part 741.204 related to public unit and non-member shares in federally insured credit unions.² NCUA proposes to raise the regulatory limit on public unit and non-member shares in federally insured credit unions to up to 50% of the credit union's paid-in and unimpaired capital and surplus less any public unit and non-member shares. If a federally insured credit union's public unit and non-member shares combined with other borrowings would exceed 70% of paid-in and unimpaired capital and surplus, the credit union must develop and maintain a written plan for the use of the funds in a safe and sound manner.

Providing credit unions greater operational flexibility to utilize external funding for liquidity makes sense from a supervisory perspective. NASCUS supports raising the limit for public unit and non-member deposits. Not only does broader access to public funds enhance credit union liquidity options, it allows credit unions accepting such deposits to preserve other lines of credit.

In addition to benefits for balance sheet management, providing credit unions with greater capacity to serve public units and non-members would present some credit unions an opportunity to strengthen their ties to their communities. Increasing the ability of credit unions to build their brand with the public and enhance their reputation is sound supervisory policy.

While we concur that the proposed limit should be sufficiently high that the existing alternative measure of \$3 million for smaller credit unions would be generally unnecessary, we remain concerned that for some credit unions, there could arise a need for levels of external funding in excess of the 50% limit. Therefore, we recommend the final rule retain a

¹ NASCUS is the professional association of the nation's 45 state credit union regulatory agencies that charter and supervise over 2,100 credit unions.

² 84 Fed. Reg. 25018 (May 30, 2019).

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provision for credit unions to seek a waiver from the proposed 50% limit (regardless of the credit union's asset size).

NCUA proposes changes to Part 741, the rules for federally insured credit unions, to conform with the proposed changes to Part 701.32. However, Part 741.204 would continue to merely reference Part 701.31 rather than provide federally insured state credit unions their specific compliance obligation within Part 741. We also note that throughout its notice for comment, NCUA repeatedly, and almost exclusively, discusses the proposed changes within the context of federal credit unions. Taken together, the use of incorporation of rules by mere reference in Part 741 and the repeated use of the term "federal credit unions" within rules applicable to state credit unions is unnecessarily confusing. It creates unnecessary regulatory burden for state credit unions. NCUA could easily mitigate, outright eliminate, this burden by simple incorporating the state credit union applicable limits for public unit and non-member shares within Part 741.204 in their entirety.

NASCUS commends NCUA for the agency's continued efforts to effectuate the recommendations made to, and by, its Regulatory Reform Task Force. We support providing federally insured credit unions greater flexibility to manage funding by increasing the limit on public unit and non-member shares. Public unit deposits can represent a stable source of external funding that could strengthen participating credit unions. We are confident that NCUA and the states can supervise increased non-member shares public unit deposits in a safe and sound manner. We would be happy to discuss our comments in detail at NCUA's convenience.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
General Counsel